4529. Also, petition of the Schoolmen's Club, district 22, Minnesota, urging Federal aid to public schools for relief during the present crisis; to the Committee on Education.

4530. By Mr. RUDD: Petition of the Railroad Employees National Pension Association, Chicago, Ill., favoring the passage of the Hatfield-Wagner railroad retirement pension bill (S. 3231); to the Committee on Labor.

4531. Also, petition of the Chamber of Commerce of the State of New York, opposing the passage of House bill 9363; to the Committee on Immigration and Naturalization.

4532. By Mr. SADOWSKI: Petition of the Common Council, Detroit, Mich., endorsing slum clearance program; to the Committee on Banking and Currency.

SENATE

MONDAY, MAY 7, 1934

(Legislative day of Thursday, Apr. 26, 1934)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Friday, May 4, was dispensed with, and the Journal was approved.

CORPORATE REORGANIZATIONS—WITHDRAWAL OF MOTION TO RECONSIDER

Mr. LONG. Mr. President, I have a motion pending to reconsider the vote by which the so-called "bankruptcy bill", being House bill 5884, was passed on Friday last. It is apparent that I cannot get a sufficient number of votes to secure the adoption of the motion to reconsider, and, that being the case, however strongly I favor the farmers' amendment proposed by the Senator from North Dakota [Mr. FRAZIER], as well as other amendments, I am going now to ask unanimous consent to withdraw my motion to reconsider, so that the bill may go to conference.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the motion to reconsider is withdrawn.

Mr. VAN NUYS. Mr. President, I move that the Senate insist on its amendments to the bill (H.R. 5884) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. VAN NUYS, Mr. MCCARRAN, and Mr. HASTINGS conferees on the part of the Senate.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Couzens	Kean	Reynolds
Ashurst	Cutting	Keyes	Robinson, Ark.
Austin	Davis	King	Russell
Bachman	Dickinson	La Follette	Schall
Bankhead	Dieterich	Lewis	Sheppard
Barbour	Dill	Logan	Shipstead
Barkley	Duffy	Lonergan	Smith
Black	Erickson	Long	Steiwer
Bone	Fess	McCarran	Stephens
Borah	Fletcher	McGill	Thomas, Okla.
Brown	Frazier	McKellar	Thomas, Utah
Bulkley	George	McNary	Thompson
Bulow	Gibson	Metcalf	Townsend
Byrd	Glass	Murphy	Tydings
Byrnes	Goldsborough	Neely	Vandenberg
Capper	Gore	Norbeck	Van Nuys
Caraway	Hale	Norris	Wagner
Carey	Harrison	Nye	Walcott
Clark	Hastings	O'Mahoney	Walsh
Connally	Hatch	Overton	Wheeler
Coolidge	Hayden	Patterson	White
Copeland	Hebert	Pittman	
Costigan	Johnson	Pope	

Mr. LEWIS. I announce that the junior Senator from California [Mr. MCADOO] is absent from the Senate because of illness, and that the Senator from Florida [Mr. TRAMMELL] and the Senator from North Carolina [Mr. BAILEY] are necessarily detained. I ask that this announcement may stand for the day.

Mr. HEBERT. I wish to announce that the Senator from Indiana [Mr. ROBINSON], the Senator from Pennsylvania [Mr. REED], and the Senator from West Virginia [Mr. HATFIELD] are unavoidably absent from the Senate.

The VICE PRESIDENT. Ninety Senators have answered to their names. A quorum is present.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had passed without amendment the bill (S. 2460) to limit the operation of statutes of limitations in certain cases.

The message also announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 5950) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto, agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. SUMNERS of Texas, Mr. MONTAGUE, Mr. MCKEOWN, Mr. KURTZ, and Mr. PERKINS were appointed managers on the part of the House at the conference.

The message further announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H.R. 8912. An act to amend section 35 of the Criminal Code of the United States;

H.R. 9323. An act to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes; and

H.R. 9370. An act to authorize an appropriation of money to facilitate the apprehension of certain persons charged with crime.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (S. 2966) to authorize the coinage of 50-cent pieces in commemoration of the three hundredth anniversary of the founding of the Province of Maryland, and it was signed by the Vice President.

REGULATION OF FOODS AND DRUGS

Mr. COPELAND. Mr. President, may I remind Senators that a few days ago I spoke of the food and drugs bill and asked any Senators who have amendments to offer to present them in advance of the consideration of the bill? Some Senators have offered certain amendments, and the committee has given them consideration. The committee is very anxious to have before it any other amendments which may be in the minds of Senators, because we hope that when the bill shall be finally presented for action its consideration may take a very short time, indeed, and we feel that to be possible if we may have the amendments before us for consideration in advance of the action on the bill.

REPORT OF THE NEAR EAST RELIEF

The VICE PRESIDENT laid before the Senate a letter from the executive secretary of the Near East Relief, submitting, pursuant to law, the report of the Near East Relief for the year ended December 31, 1933, which, with the accompanying report, was referred to the Committee on Printing.

REPORTS OF THE TARIFF COMMISSION

The VICE PRESIDENT laid before the Senate nine letters from the chairman of the United States Tariff Commission, transmitting copies of reports sent to the President by the Commission in investigations, for the purposes of section 336 of the Tariff Act of 1930, with the action of the President thereon, which, with the accompanying papers, were referred to the Committee on Finance, as follows:

1. Report of an investigation, pursuant to Senate Resolution 324 (71st Cong.), with respect to laminated products;
2. Report of an investigation, pursuant to Senate Resolution 238 (72d Cong.), with respect to pins;
3. Report of an investigation, pursuant to Senate Resolution 361 (72d Cong.), with respect to cotton fishing nets and nettings;
4. Report of an investigation, pursuant to Senate Resolution 369 (72d Cong.), with respect to cut flowers;
5. Report of an investigation instituted upon application received from interested parties, with respect to meat and food choppers;
6. Report of an investigation instituted upon application received from interested parties, with respect to fruits, candied, crystallized, or glace;
7. Report of an investigation instituted upon application received from interested parties with respect to cotton ties;
8. Report of an investigation instituted pursuant to a letter received from President Hoover, dated October 24, 1932, with respect to grass and straw rugs; and
9. Report of an investigation instituted pursuant to a letter received from President Hoover, dated October 24, 1932, with respect to tooth and other toilet brushes and backs and handles therefor.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Illinois, which was ordered to lie on the table:

STATE OF ILLINOIS,
OFFICE OF THE SECRETARY OF STATE.

To all to whom these presents shall come, greeting:

I, Edward J. Hughes, secretary of state of the State of Illinois, do hereby certify that the following and hereto attached is a true photostatic copy of House Joint Resolution No. 10, the original of which is now on file and a matter of record in this office.

In testimony whereof I hereto set my hand and cause to be affixed the great seal of the State of Illinois. Done at the city of Springfield this 3d day of May, A.D. 1934.

[SEAL] EDWARD J. HUGHES,
Secretary of State.

House Joint Resolution 10

Whereas during the year 1933 more than 27 citizens of the United States in widely scattered sections of the country suffered death by lynching; and

Whereas such number of lynchings was greatly in excess of the number occurring during the previous year of 1932, causing public expression of condemnation of lynchings to resound throughout the land; and

Whereas all lynchings constitute contemptuous defiance of law and of the rights of others and threaten the very foundation of civilization and the social order; and

Whereas there are now pending in the Congress of the United States of America two bills, designated as "S. 1978" and "H.R. 6157", and popularly known, respectively, as the "Wagner-Costigan bill" and the "Oscar De Priest bill", the avowed purpose of each of which is to assure persons within the jurisdiction of every State the equal protection of the laws and to punish the crime of lynching: Now, therefore, be it

Resolved by the House of Representatives of the Fifty-eighth General Assembly of the State of Illinois at the third special session thereof (the senate concurring herein, That the Congress of the United States be, and is hereby, memorialized and requested to give favorable consideration to the aforesaid bills and to enact one of them or some similar antilynching measure; and be it further

Resolved, That a copy of this preamble and resolution be immediately forwarded to the President of the United States, the President of the Senate, and the Speaker of the House of Representatives of the United States, and to each Congressman and Senator from the State of Illinois.

Adopted by the house March 21, 1934.

ARTHUR ROE,
Speaker of the House of Representatives.
CHAS. P. CASEY,
Clerk of the House of Representatives.

Concurred in by the senate April 18, 1934.

THOMAS F. DONOVAN,
President of the Senate.
A. E. EDEN,
Secretary of the Senate.

The VICE PRESIDENT also laid before the Senate a resolution adopted by the convention of police jurors of the State of Louisiana, favoring the passage of the so-called "McLeod bill", providing payment to depositors in closed banks, which was referred to the Committee on Banking and Currency.

He also laid before the Senate a resolution adopted by the Territorial Democratic convention assembled at Honolulu, Hawaii, favoring the enactment of legislation fully extending the activities of the Federal Deposit Insurance Corporation guaranteeing bank deposits up to $2,500 to the Territory of Hawaii, which was referred to the Committee on Banking and Currency.

He also laid before the Senate a resolution adopted by the convention of police jurors of the State of Louisiana, protesting against confiscation by the Government of property bordering immediately on the Mississippi River for set-back of levees to provide flowage way for flood waters without due compensation for the property affected, which was referred to the Committee on Commerce.

He also laid before the Senate a resolution adopted by the convention of police jurors of the State of Louisiana, favoring the making of surveys and estimates of cost with a view to opening Bayou Manchac, La., from a point opposite the Plaquemine Locks into and through Lake Pontchartrain as a part of the intracoastal waterway, which was referred to the Committee on Commerce.

He also laid before the Senate a letter in the nature of a petition from the Women's Chamber of Commerce of Kansas City, Mo., praying for the enactment of legislation to curtail the criminal activities of individuals who buy firearms and machine guns for purposes of law violation, and also legislation relative to the purchase of arms and munitions "to take the profit out of war", which was referred to the Committee on Commerce.

He also laid before the Senate a resolution adopted by the Tulsa (Okla.) Unemployed Association, favoring the enactment of legislation providing, after July 1, 1934, that all natural resources, including the land and mineral rights, and all collectively operated means of production and distribution which are idle, unused, or closed to unemployed workers shall be taken over by the Government and reorganized or operated by the Government as trustees for the people so as to promote the welfare of the unemployed and general welfare, which was referred to the Committee on Education and Labor.

He also laid before the Senate resolutions adopted by the board of aldermen of the city of Chelsea, Mass., favoring the enactment of legislation providing for the payment of unemployment insurance, which were referred to the Committee on Finance.

He also laid before the Senate a letter in the nature of a petition from the Ohio Typographical Conference, in convention assembled at Cleveland, Ohio, praying for the passage of the bill (S. 2616) to raise revenue by levying an excise tax upon employers, and for other purposes, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the convention of police jurors of the State of Louisiana, protesting against the enactment of legislation which might tend to destroy the Louisiana sugarcane industry, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the convention of police jurors of the State of Louisiana, favoring the enactment of legislation making Federal funds available to various political subdivisions of the States, secured by tax-anticipation warrants, notes, or other evidences of indebtedness, as well as the right to borrow against tax delinquencies, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by Lodge No. 30, Switchmen's Union of Minneapolis, Minn., favoring extension of the present session of Congress until a majority of the progressive measures pending in the interest of railroad employees be enacted, which was referred to the Committee on Interstate Commerce.

He also laid before the Senate a resolution adopted by the Women's Chamber of Commerce of Kansas City, Mo., favoring the passage of the so-called "Costigan-Wagner antilynching bill", which was ordered to lie on the table.

He also laid before the Senate a letter in the nature of a petition from the Women's Chamber of Commerce of Kansas City, Mo., praying for the prompt enactment of

old-age pension legislation, which was ordered to lie on the table.

He also laid before the Senate a letter in the nature of a petition from the Women's Chamber of Commerce, of Kansas City, Mo., praying for the enactment of securities exchange legislation which will insure the buyer of securities a truthful knowledge of the financial standing of the company whose securities he is buying, and also other pertinent information to aid the purchaser in protecting himself from bad investments, which was ordered to lie on the table.

He also laid before the Senate a telegram from P. W. Henry, secretary of the American Institute of Consulting Engineers, of New York City, N.Y., embodying a resolution adopted by its council, favoring further study and the most careful consideration of the securities exchanges regulation bill, and "its possible far-reaching effects on business and industry", which was ordered to lie on the table.

He also laid before the Senate a resolution adopted by the municipal council of Zaragoza, Nueva Ecija, P.I., expressing its sincere gratitude to the President of the United States, the President of the Senate, and the Speaker of the House of Representatives for the enactment of Public Law No. 127, Seventy-third Congress, to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes, which was ordered to lie on the table.

Mr. DILL presented a petition of sundry citizens of Centralia, Wash., praying for the enactment of legislation embodying the principles of the so-called "Townsend old-age revolving pension plan", which was referred to the Committee on Pensions.

Mr. FESS presented petitions signed by approximately 800 members of the National Association of Letter Carriers, of Cleveland, Ohio, praying for the passage of the so-called "Sweeney bill", being House bill 9046, eliminating furloughs in the Postal Service, which were referred to the Committee on Post Offices and Post Roads.

Mr. TYDINGS presented a resolution adopted by Riverdale (Md.) Council, No. 29, Sons and Daughters of Liberty, protesting against the enactment of legislation loosening immigration restrictions, which was referred to the Committee on Immigration.

Mr. VANDENBERG presented petitions of sundry citizens of Jackson and vicinity, in the State of Michigan, praying for the enactment of legislation providing immediate cash payment at full face value of adjusted-compensation certificates (bonus) of ex-service men, which were referred to the Committee on Finance.

REPORTS OF COMMITTEES

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (S. 3156) for the relief of Mary Angela Moert, reported it without amendment and submitted a report (No. 912) thereon.

He also, from the same committee, to which were referred the following bills, reported them each with amendments and submitted reports thereon:

S. 173. An act for the relief of Martin-Walsh, Inc. (Rept. No. 913); and

S. 3192. An act for the relief of Arthur Hansel (Rept. No. 914).

Mr. TOWNSEND, from the Committee on Claims, to which was referred the bill (S. 86) for the relief of A. L. Ostrander, reported it without amendment and submitted a report (No. 915) thereon.

He also, from the same committee, to which was referred the bill (S. 488) for the relief of Norman Beier, reported it with amendments and submitted a report (No. 916) thereon.

Mr. KING, from the Committee on the Judiciary, to which was referred the bill (S. 3524) to amend an act of Congress approved February 9, 1893, entitled "An act to establish a court of appeals for the District of Columbia, and for other purposes", reported it without amendment and submitted a report (No. 917) thereon.

Mr. SHEPPARD, from the Committee on Commerce, to which was referred the bill (S. 3545) to extend the times for commencing and completing the construction of a bridge across the St. Clair River at or near Port Huron, Mich., reported it without amendment and submitted a report (No. 918) thereon.

He also, from the Committee on Military Affairs, to which was referred the bill (H.R. 541) for the relief of John P. Leonard, reported it with an amendment and submitted a report (No. 919) thereon.

Mr. CUTTING, from the Committee on Military Affairs, to which was referred the bill (S. 3059) for the relief of Joseph M. Thomas, reported it with amendments and submitted a report (No. 921) thereon.

Mr. FLETCHER, from the Committee on Banking and Currency, to which was referred the bill (S. 3520) authorizing the Reconstruction Finance Corporation to make loans to industry, reported it with amendments and submitted a report (No. 920) thereon.

Mr. DUFFY, from the Committee on Military Affairs, to which was referred the bill (S. 3397) to amend the laws relating to the length of tours of duty in the Tropics and certain foreign stations in the case of officers and enlisted men of the Army, Navy, and Marine Corps, and for other purposes, reported it with an amendment and submitted a report (No. 922) thereon.

Mr. AUSTIN, from the Committee on the Judiciary, to which was referred the bill (S. 1777) providing for an additional justice of the Court of Appeals of the District of Columbia, reported it with an amendment and submitted a report (No. 923) thereon.

EXPERT ASSISTANCE TO COMMITTEE ON PRIVILEGES AND ELECTIONS

Mr. GEORGE, from the Committee on Privileges and Elections, reported a resolution (S.Res. 235), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Committee on Privileges and Elections, or any subcommittee thereof, hereby is authorized to employ expert assistance to brief, index, and put in convenient form all testimony taken in certain election cases by select committees, to be paid from the contingent fund of the Senate at a cost not to exceed the sum of $2,000.

ENROLLED BILL PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on the 4th instant that committee presented to the President of the United States the enrolled bill (S. 2922) to amend the act entitled "An act to promote the circulation of reading matter among the blind", approved April 27, 1904, and acts supplemental thereto.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. NEELY:

A bill (S. 3548) granting a pension to Sarah A. Martin; and

A bill (S. 3549) granting a pension to Maude Zickefoose; to the Committee on Pensions.

By Mr. NYE:

A bill (S. 3550) for the relief of Amos M. Piper; to the Committee on Claims.

By Mr. COPELAND:

A bill (S. 3551) for the relief of the Mizrach Wine Co.; and

A bill (S. 3552) for the relief of Art Metal Construction Co., with respect to the maintenance of suit against the United States for the recovery of any income or profits taxes paid to the United States for the calendar year 1918 in excess of the amount of taxes lawfully due for such period; to the Committee on Claims.

A bill (S. 3553) to provide for the creation of a commission to examine into and report the clear height above the water of the bridge authorized to be constructed over the Hudson River from Fifty-seventh Street, New York, to New Jersey; to the Committee on Commerce.

A bill (S. 3554) to ratify certain leases with the Seneca Nation of Indians; to the Committee on Indian Affairs.

A bill (S. 3555) to amend section 12B of the Federal Reserve Act, to provide relief for depositors of closed banks, and for other purposes; to the Committee on Banking and Currency.

A bill (S. 3556) prohibiting the transportation in interstate or foreign commerce of plates, dies, forms, or tools intended to be used in the reproduction of any security or financial paper; to the Committee on the Judiciary.

By Mrs. CARAWAY:

A bill (S. 3557) granting a pension to E. Corinne Miller; to the Committee on Pensions.

By Mr. FLETCHER:

A bill (S. 3558) to amend section 5153 of the Revised Statutes, as amended (relating to the giving of security by national banks for deposits of public moneys); to the Committee on Banking and Currency.

By Mr. ROBINSON of Arkansas (for Mr. TRAMMELL):

A joint resolution (S.J.Res. 114) authorizing the return to the Canadian Government of the mace of the Parliament of Upper Canada; to the Committee on Naval Affairs.

CHANGES OF REFERENCE

On motion of Mr. DILL, the Committee on Pensions was discharged from the further consideration of the bill (S. 2415) for the relief of Sarah E. Thompson, and it was referred to the Committee on Claims.

On motion of Mr. STEPHENS, the Committee on the Judiciary was discharged from the further consideration of the bill (S. 3339) to provide for the payment of compensation to George E. Q. Johnson, and it was referred to the Committee on Claims.

HOUSE BILLS REFERRED

The following bills were severally read twice by their titles and referred or ordered to lie on the table, as indicated.

H.R. 8912. An act to amend section 35 of the Criminal Code of the United States; and

H.R. 9370. An act to authorize an appropriation of money to facilitate the apprehension of certain persons charged with crime; to the Committee on the Judiciary.

H.R. 9323. An act to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes; to the table.

REGULATION OF SECURITIES EXCHANGES—AMENDMENTS

Mr. BULKLEY, Mr. COPELAND, Mr. DUFFY, Mr. TOWNSEND, and Mr. VANDENBERG each submitted an amendment; Mr. KEAN submitted four amendments; and Mr. COSTIGAN, Mr. HASTINGS, and Mr. STEIWER each submitted sundry amendments intended to be proposed by them, respectively, to the bill (S. 3420) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes, which were severally ordered to lie on the table and to be printed.

INVESTIGATION OF CAMPAIGN EXPENDITURES OF SENATORIAL CANDIDATES

Mr. BORAH submitted the following resolution (S.Res. 236), which was referred to the Committee on Privileges and Elections:

Resolved, That a special committee consisting of five Senators, to be appointed by the Vice President, is hereby authorized and directed to investigate the campaign expenditures of the various candidates for the United States Senate, the names of the persons, firms, or corporations subscribing, the amount contributed, the method of expenditure of said sums, and all facts in relation thereto, not only as to the subscriptions of money and expenditures thereof, but as to the use of any other means or influence, including the promise or use of patronage, and all other facts in relation thereto which would not only be of public interest but which would aid the Senate in enacting any remedial legislation or in deciding any contest which might be instituted involving the right to a seat in the United States Senate.

The investigation hereby provided for, in all the respects above enumerated, shall apply to candidates and contests before senatorial primaries, senatorial conventions, and the contests and campaign terminating in the general election in November 1934.

No Senator shall be appointed upon said committee from a State in which a Senator is to be elected in the general election in 1934.

Said committee is hereby authorized to act upon its own initiative and upon such information as in its judgment may be reasonable or reliable. Upon complaint being made before said committee, under oath, by any person, persons, senatorial candidate, or political committee, setting forth allegations as to facts which, under this resolution it would be the duty of said committee to investigate, the said committee shall investigate such charges as fully as though it were acting upon its own motion, unless, after a hearing upon such complaint, the committee shall find that the allegations in said complaint are immaterial or untrue.

Said committee is hereby authorized, in the performance of its duties, to sit at such times and places, either in the District of Columbia or elsewhere, as it deems necessary or proper. It is specifically authorized to require the attendance of witnesses by subpena or otherwise; to require the production of books, papers, and documents; and to employ counsel, experts, clerical, and other assistants; and to employ stenographers at a cost not exceeding 25 cents per 100 words.

Said committee is hereby specifically authorized to act through any subcommittee authorized to be appointed by said committee. The chairman of said committee or any member of any subcommittee may administer oaths to witnesses and sign subpenas for witnesses; and every person duly summoned before said committee, or any subcommittee thereof, who refuses or fails to obey the process of said committee or who appears and refuses to answer questions pertinent to said investigation shall be punished as prescribed by law.

The expenses of said investigation, not exceeding in the aggregate $25,000, shall be paid from the contingent fund of the Senate on vouchers signed by the chairman of the committee or the chairman of any subcommittee.

All hearings before said committee shall be public, and all orders or decisions of the committee shall be public.

The committee shall make a full report to the Senate on the first day of the next session of the Congress.

PROCEEDINGS AND ADDRESSES ON OCCASION OF DEDICATION OF WILLIAM JENNINGS BRYAN MEMORIAL

Mr. THOMPSON. Mr. President, I ask unanimous consent to have placed on file and printed in the RECORD the speech of President Roosevelt and a synopsis of the proceedings attending the William Jennings Bryan Memorial dedication on May 3, 1934, as printed in the Washington Star of that date; also the manuscript of the address on said occasion by Hon. Josephus Daniels, president of the William Jennings Bryan Memorial Association.

For myself, I wish to add as a word of tribute that to me William Jennings Bryan was the greatest individual moral force of his time.

There being no objection, the addresses and the synopsis were ordered to be printed in the RECORD, as follows:

[From the Washington Star, Thursday, May 3, 1934]

ROOSEVELT PAYS TRIBUTE TO BRYAN IN STATUE RITES—SINCERITY OF COMMONER IN PUBLIC LIFE PRAISED BY EXECUTIVE—HELD "LEADING ACTOR" IN AMERICAN HISTORY—LIFE OF GREAT DEMOCRAT IS TRACED FROM SILVER FIGHT TO TENNESSEE TRIAL

President Roosevelt late today paid tribute to the memory of William Jennings Bryan at exercises incident to the unveiling of the bronze statue of Mr. Bryan in West Potomac Park at Riverside Drive and Constitution Avenue.

The Chief Executive spoke briefly but with deep feeling. He said he had known Mr. Bryan for many years, and not only held him in the highest respect and reverence but had a genuine love for him. He praised the so-called "peerless leader" further by saying he performed a great service as a great American and that no selfish motive ever touched his public life. The President added that Mr. Bryan's sincerity brought to him millions of devoted followers, and that his sincerity served him well in his lifelong fight against sham and privilege and wrong.

Earlier Bryan was pictured by Josephus Daniels as "the leading actor, sometimes the star" in a third of a century of American history.

Daniels, now Ambassador to Mexico, served with Bryan in the Woodrow Wilson Cabinet.

Daniels traced the history of Bryan from the early days of his battle for free coinage of silver down to his contest with Clarence Darrow over evolution in the Dayton, Tenn., trial a few days before his death.

TERMED STORM CENTER

"During these years men condemned him, denounced him, flouted him, despised him, cheered him, loved him, honored him, had faith in him, followed him", Daniels said.

"They would oppose him or rally to him. But in all those years none could be indifferent to him. He was a storm center. The political history of the period cannot be written without Bryan's role being that of the leading actor, sometimes the star.

"The statue we unveil today is the figure of an eloquent orator who commanded 'listening senates.' Though his voice thrilled millions, this figure in imperishable bronze would not have been placed in the National Capital * * * if his eloquence had not

been employed in high dedication to the welfare of his fellow men."

Daniels credited Bryan with playing a leading role in passage of the sixteenth, seventeenth, and eighteenth amendments, and with ceaseless efforts for world peace.

BROTHER IS PRESENT

Gov. Charles Bryan, of Nebraska, brother of the "silver-tongued orator of the Platte", witnessed the unveiling ceremony.

Others in the audience were Secretary Ickes, who introduced Daniels; Dr. Joseph R. Sizoo, pastor of the New York Avenue Presbyterian Church, who pronounced the invocation; former Senator Blair Lee, of Silver Spring, Md.; Gutzon Borglum, the sculptor; and David Hargreaves, a grandson of Bryan, who unveiled the statue.

LAUDS HIGH SERVICES

The text of the President's address follows:

"This memorial to William Jennings Bryan, erected pursuant to authorization by a joint resolution of the Congress, I gladly accept on behalf of the United States.

"Our Nation thus recognizes through its Government the essential qualities and the high services of a great American.

"No selfish motive touched his public life; he held important office only as a sacred trust of honor from his country; and when he sought a mandate from his fellow citizens the soul of his inspiration was the furtherance of their interests, not his own, not of a group, but of all. No man of his time was or could have been more constantly in the limelight than he; yet we can look back and scan his record without being able to point to any instance where he took a position that did not accord with his conscience or his belief.

"To Secretary Bryan political courage was not a virtue to be sought or attained, for it was an inherent part of the man. He chose his path not to win acclaim, but rather because that path appeared clear to him from his inmost beliefs. He did not have to dare to do what to him seemed right; he could not do otherwise.

CITES FIGHT AGAINST SHAM

"It was my privilege to know William Jennings Bryan when I was a very young man. Years later both of us came to the Nation's Capital to serve under the leadership of Woodrow Wilson. Through this service and the intimate relations which ensued I learned to know and to love him.

"As we look back on those days—the many of us who are gathered here together who were his friends and associates in the Wilson administration—I think that we would choose the word 'sincerity' as fitting him most of all. It was that sincerity which brought to him the millions of devoted followers; it was that sincerity which served him so well in his lifelong fight against sham and privilege and wrong. It was that sincerity which made him a force for good in his own generation and has kept alive many of the ancient faiths on which we are building today.

"It was Mr. Bryan who said:

"'I respect the aristocracy of learning. I deplore the plutocracy of wealth, but I thank God for the democracy of the heart.'

"Many years ago he also said:

"'You may dispute over whether I have fought a good fight; you may dispute over whether I have finished my course; but you cannot deny that I have kept the faith.'

"We who are assembled here today to accept this memorial in the Capital of the Republic can well agree that he fought a good fight, that he finished his course, and that he kept the faith."

ADDRESS BY JOSEPHUS DANIELS, PRESIDENT OF THE BRYAN MEMORIAL ASSOCIATION, AT THE UNVEILING OF THE BRYAN STATUE IN WASHINGTON, D.C., MAY 3, 1934

"It seemed to me tonight, when the great tribune of the people was speaking to you, as if the statue of Jefferson in this hotel had come to life."

These opening words in an address by Virginia's eloquent "lame giant", Maj. John W. Daniel, on the portico of Hotel Jefferson in Richmond, Va., on the night of September 17, 1896, followed a brilliant campaign speech by William Jennings Bryan. The scene, in the cool of a glorious September evening, was one never to be forgotten. The full moon bathed the multitude crowding every approach to the hotel, where the Nebraskan spoke from an eminence which brought him in full view. The people of that historic city—the heirs of the purest democracy the world has known—had waited long, eyes eagerly uplifted, to catch a glimpse of the new figure which had arisen like a scintillating star in the political firmament. As they awaited his coming their eyes had rested with pride and admiration upon the marble statue of Jefferson standing at the center of the foyer of the hotel named for the founder of Democracy. As he spoke, they strained their ears lest they miss a single sentence of the lute-toned speaker. They were hearing a voice which had a melody with a timbre all its own. They found it as sweet as when a master hand touches the keys of a perfect musical instrument. After the first burst of applause, the people, uncovered in honor of the visitor, stood silent, too moved in their whole being to interrupt with applause or cheers. The listeners were stirred to their depths. They rejoiced to behold in their city the man who had so recently caught the imagination and won the admiration of millions of his countrymen.

"He is as beautiful as Apollo", Senator Daniel had said of Bryan, as the young Commoner thrilled the multitude which had packed the Coliseum at Chicago a few weeks before. Senator Blackburn had agreed and added: "Bryan thrills you like a reborn Demosthenes." Historic Richmond felt that the youthful leader of his party incarnated the political philosophy of the Virginia-born founder of the Democratic Party. Onlookers caught the spirit and vision of Senator Daniel. Looking upon the statue of Jefferson, they sensed that in the flesh they had beheld a miracle, as when Love converted the statue of Galatea into a living thing of beauty and grace. The mantle of the Sage of Monticello had fallen upon the shoulders of a young political Lochnivar who had come out of the West.

The time and place were fitting. Bryan had come home to the land of his forbears. His father in his early manhood, along with many other sons of the Old Dominion, had trekked to the expansive, rich lands which Virginia had generously donated to the young Republic to be carved into States. The land-owning and empire-building instinct was in their blood. In his new home Bryan's father had won a competency and been honored with the judicial ermine. He had carried with him the principles of the Declaration and the Kentucky resolutions, along with his simple belongings to the home he builded in Illinois. The son, indoctrinated in the Jeffersonian creed, had come home, bearing his high honors to the mother State. He was welcomed as the true heir of the burning eloquence of the incomparable Patrick Henry. He was hailed as the chosen interpreter and expounder of the doctrines which needed to be invoked to recall reactionary America back to first principles. "Bryan stands", Major Daniel said in stately phrases on that epoch-making night, "as the leader of the Democracy militant. We love him because he rolled away the stone from the golden sepulcher in which Democracy was buried.

"The Anglo-Saxon race has never failed to produce a great leader whenever a great crisis demanded him. In the Chicago national convention, when a great leader was demanded amidst happy auguries, its choice was given to him who is here tonight, and that convention found him in the heart of the great West in the person of Nebraska's noble son. He loves the people and he stands for all the people against all comers."

It was my privilege to have been a silent participant in that gathering when the foremost orator of the old school of the South welcomed the most eloquent orator of the new school from beyond the Father of Waters to the home of his forbears. Forty years save two have passed over my head since that night of nights, but the thrill of that hour is upon me now, and the echoes of the music of those elevated voices has made melody in my heart through the intervening years. The scene in the capital of the Old Dominion was reenacted in 1896 in every capital of the Republic, and in almost every city and hamlet. From ocean to ocean that year the cadence of Bryan's voice, preaching a gospel of hope, fell upon the waiting ears of men and women who had long looked for a political prophet to lead them into the promised land of equality. No building was large enough to hold the millions who flocked to hear the newly risen prophet and crusader. They apprehended that his heart beat in sympathy with the unemployed and the exploited. Their grateful hearts responded in harmony to his appeals. They understood, as he flayed privilege, that their sufferings were his sufferings. They thronged every place where he spoke, and hundreds of thousands looked to him as their deliverer. They even begged him to take their pennies to advance their common cause.

Other men and women, having no accord with the gospel he proclaimed, sometimes crowded out the worshippers, fascinated by the melody of his voice and the sincerity of his utterances. Many men and women agreed with him whole-heartedly and enthusiastically. Others differed with him radically, sometimes violently. Before that campaign closed, the verdict alike of friend and foe was that in moving eloquence, as well as beauty of diction, no man of his generation approached the Nebraskan. As the years passed, and as he grew, that verdict became the settled conviction of the American people. He stood preeminent in the power to delight the senses of the people and sway the multitudes that hung upon his words.

From boyhood Bryan had loved declamation and debate. He early sought truth by the hammer against hammer of private argument and public discussion. He was fond of beautiful phrases and rounded periods. They abound in his early addresses which were written and committed to memory. To the end he possessed love of beauty in expression as well as in life and nature, though in later years he sought to convince by clarity and simplicity of statement, largely discarding rhetorical effects. There was enough of the poet in his make-up, however, never to surrender to the dull presentation of succinct facts without appeal to the emotions to execute the will of the mind. He had no comradeship with the dry-as-dust statistical type of speaker who refuses to clothe truth in attractive garb.

It was not until he had moved to Nebraska that Mr. Bryan was able to realize his heart's desire. His wife, noted for poise and judgment, tells the story of a new light which shone into his life, a light that brought him power hitherto unrealized. At the age of 27, returning home at daybreak after a long ride on a night train, he could not wait for his wife to awake to tell her of a new revelation that had come to him. Sitting on the edge of the bed he said to her simply and thankfully, "Mary, I have had a strange experience. Last night I found that I had power over the audience. I could move them as I chose. I have more than usual power as a speaker. I know it." And he reverently added, as he knelt in prayer, "God grant I may use it wisely." When the end of his days had come, and Mrs. Bryan was writing intimately of

her dead companion with wifely sincerity, she said, "Among the losses the world has suffered by Mr. Bryan's going, the stilling of his voice is to me the most irreparable. I speak now of his voice, not what he said. When he had attained sufficient skill to dispense with manuscripts and really speak, the beauty of his voice was revealed. There was in it a reverberating quality—vibratory hardly expresses it. Upon occasions when he was especially moved, I have heard his tones ring out with bell-like clearness and resound far beyond the circle of his hearers. As years passed, the quality grew less, but never was entirely lost. Few voices have ever equaled his in carrying power."

The secret of Bryan's primacy as an orator was that in addition to a voice which had charm, every utterance demonstrated that behind eloquence was the marrow of conviction. "It is the man not the words that make the speech", Bryan once said. "The orator must have faith, faith in God, faith in the righteousness of his cause, and faith in the ultimate triumph of the truth." Continuing his definition, he said: "There are two things absolutely essential to eloquence. First, the speaker must know what he is talking about; and, second, he must mean what he says." Bryan added that he must also have knowledge of human nature. He strikingly exemplified Bancroft's admonition: "Let the young aspirants after glory scatter seeds of truth broadcast on the wide bosom of humanity, in the deep fertile soil of the public mind. There it will strike root and spring up and bear a hundredfold and bloom for ages and ripen fruit through remote generations."

For a third of a century Bryan held the center of the stage in politics and political conventions. During those years men condemned him, denounced him, flouted him, despised him, loved him, cheered him, honored him, had faith in him, followed him. They would oppose him or rally to him. But in all these years none could be indifferent to him. He was a storm center. The political history of the period cannot be written without Bryan's role being that of a leading actor, sometimes the star. Though he held public office only 6 years and 3 months, he exerted greater influence over a longer period of time upon public opinion and in the enactment of laws and constitutional changes than any public man of his generation. To be sure, Theodore Roosevelt occupied the center of the stage from 1901 to 1912, and Woodrow Wilson from 1912 to 1920. However, from 1896, most of the time without office or place or the trappings that usually accompany influence, Bryan's position in American political life was as commanding as it was consecrated to the commonweal as he was given the light to see the commonweal.

History will record that other men of his period were more deeply versed in law, more experienced in diplomacy, possessed more executive ability, or exercised more political acumen as measured by victories at the polls, than William Jennings Bryan. Even so, none will be found who heard him in the days of his militant leadership, to deny that he won and held kingship in the realm of true eloquence as America's uncrowned Commoner.

From his triumph at Chicago, Mr. Bryan stood above all of his contemporaries as master of assemblies. Indeed, it may be doubted if his equal in persuasive eloquence, potential for a third of a century, has lived upon the earth. This preeminence was evidenced upon great occasions, as when he captured the House of Representatives by his magnificent tariff speech on March 16, 1892; in the Chicago convention in 1896 when all fell under the spell of his oratory and, with enthusiasm, his party called him to national leadership; in his truly great campaign arguments against imperialism in 1900, when intellectuals who had in 1896 opposed his election gave him cordial support; in his memorable speech at the St. Louis convention, where, defeated in his program, he won an oratorical victory which has been rarely equaled in the annals of the race, concluding with the immortal words, applauded alike by friend and foe: "You may dispute whether I have fought a good fight, you may dispute whether I have finished my course, but you cannot deny I have kept the faith"; in the Baltimore convention, where his courageous leadership, daring to the point of danger, and his compelling appeals, turned the whole tenor of the gathering and insured the nomination of Wilson; or when upon other occasions he stirred the hearts of his followers as he proclaimed with demonstration and power the gospel of Christianity which warmed his own heart and shaped his own life. His rare gift was in evidence equally in the thousands of speeches which were never reported.

Eloquence in a sense dies with its possessor. It is not always the open sesame which crowns its owner with the highest rewards. The two candidates for the Presidency who most completely captured men's hearts by their eloquence were Henry Clay and William Jennings Bryan. Neither reached the zenith of his ambition. Excepting Henry Clay, Bryan was the only man thrice chosen by his party as its Presidential candidate.

Bryan was never cast down even when the verdict of the polls was recorded against the policy he espoused. He never knew defeat. No man is ever defeated until he admits it. Out of one reverse the crusading evangelist planned a new assault. This was best illustrated when the news came in 1896 that McKinley had been proclaimed the winner. Bryan spent no time in questioning the result or in vain regrets. He sounded the note for the next battle in these characteristic words: "In the face of an enemy rejoicing in victory, let the roll be called for the next engagement. If we are right, as I believe we are, we shall yet triumph." Though the Presidency was denied him, Bryan lived to rejoice in the adoption by his country of most of the principles and policies which were dearer to him than personal preferment.

In appraising the chief contributions Bryan made to his country, it would wrong Bryan and do injustice to truth to hold him up as always consistent or always right. No man in a long, active public career has ever been free from mistakes and errors of judgment. These defects, common to all men, were not absent in the Commoner. Bryan's best friends differed with him at times and sometimes radically. They pointed out to him what they deemed his mistakes of judgment. He loved his friends and gave consideration to their views, but he was adamant against suggestions that for personal or political advantage he soft pedal here or be silent there. Upon questions of principle he would not compromise, even when good friends counseled it. Political expediency never controlled him. His course was governed by Lincoln's declaration, "I am not bound to win; but I am bound to be true. I am not bound to succeed; but I am bound to live up to the light I have." It can be literally and truly said of Bryan that he had "rather be right than to be President."

Mr. Bryan could not hate or harbor resentment. "More than any man I have known", said one of his Cabinet colleagues, "he placed the cause above the man." He could and did fight those who opposed the cause in which he was enlisted. He neither asked nor gave quarter. And he was a doughty warrior, none more resourceful or valiant. He never consciously, at least not for long, permitted himself to hold bitterness in his heart toward an antagonist. His hot anger could and did flame against what he regarded as wrong or injustice. Opportunism or subserviency to power were hateful in his sight. His condemnation of wrong was not personal. It was righteous indignation against the act. He was incapable of returning evil for evil even when the provocation would seem to justify getting even. No man since Jefferson and Jackson was the victim of such virulent hatred and abuse as rained upon him. It never either diverted or embittered him. He could not be persuaded that even the most violent abuse was personal. Loving his fellow man, Bryan regarded detraction or denunciation by critics or enemies as not directed at him as an individual. He always felt that the invectives were rather shafts aimed at the policies for which he took up arms.

Just as he rested all his political beliefs on the creed of Jefferson, believing that the founder of the Democratic Party was the fountainhead of the wisest statesmanship, so in the field of morals and religion, Bryan found guidance in the "thus saith the Lord." True to early training, when he came to write his will, the opening words contained in condensed form his confession of faith:

"In the name of God, farewell. Trusting for my salvation to the blood of Jesus Christ, my Lord and Redeemer, and relying on His promise for my hope and resurrection, I consign my body to the dust and commend my spirit to the God who gave it."

It was this fundamental faith which sent him forth as a Christian evangelist and as expounder of the Scriptures. His life was in consonance with his creed. He yielded to none of the temptations which assail youth, having from his boyhood given himself to the practice of virtues taught in his home, in the Sunday school, and in the church. His clean private life was his Gibraltar when he sallied forth to fight the enemies that threatened society. No opponent could weaken his influence by pointing to any flaw in his armor of personal uprightness. Postmaster General Burleson was wont to say: "Bryan is the truest Christian I have ever known in politics." When Bryan opened his heart to his colleagues on the day he retired from the Cabinet, Secretary Lane turned to him and said, with deep feeling: "Mr. Bryan, you are the most real Christian I know."

Would you understand Bryan? Read the appraisement by his wife, a true and equal partner, in these words:

"A source of tremendous strength to Mr. Bryan was his freedom from doubt. Others might waver, drift, and struggle—he went serenely on, undisturbed. This may be explained by his conviction that man was much too puny and finite to understand the ways of God. He said more than once: 'What do these men know? Pitting their poor little knowledge against omniscience! The infinite power which rules and controls is far beyond our finite mind.' He had a firm faith in the inspiration of the Bible in whch he had been nurtured, a strong belief in a guiding and protecting power, and a comforting reliance on the efficacy of prayer."

It was the possession of this unquestioning faith which made Bryan the Sir Galahad of his generation.

"His strength was as the strength of ten,
Because his heart was pure."

The statue we unveil today is the figure of an eloquent orator who commanded "listening senates." Though his voice thrilled millions, this figure in imperishable bronze would not have been placed in the National Capital, midway between the Lincoln Memorial, honoring another illustrious son of Illinois, and the Arlington Memorial, hard by the home of the immortal Robert E. Lee, if his eloquence had not been employed in high dedication to the welfare of his fellow men. As unborn generations pause to look upon his countenance, fashioned by the genius of Gutzon Borglum, betokening benignity and nobility, they will be told: "This is the sculptured likeness of William Jennings Bryan, who was endowed with a voice so melodious as to enthrall all who heard him." That appraisement will interest, for stories of oratorical conquests ever intrigue youths. Unless, however, some new Edison or Marconi can recall the melodies of other years and centuries (and who shall say that tomorrow we will not be under the spell of the songs of Jenny Lind and Caruso, the glory that was Beethoven and Chopin, and the eloquence of Demosthenes and Patrick Henry, still lingering somewhere in the chambers of the upper air?) the youth of another decade will be inclined to say: "Though this man Bryan may have spoken with the tongue of angels to his own generation, what contribution has he be-

queathed for the enrichment and inspiration of those who come after him, who were never privileged to hear him, that his statue should occupy this place of distinction?"

When that challenge is made what will be the reply? Unless we of today can make answer to the challenge of posterity, what reason can be offered for the erection of this memorial? It is the duty, therefore, of the living, of those who knew the stuff of which he was made, to reveal the qualities which ennobled him, which justify his right to a place with the American immortals in this American pantheon.

We who were his associates know that he consecrated himself, body and soul, to the advocacy of causes which in their spirit will be as vital tomorrow as when in yonder Capitol or in nearby church or cathedral he summoned men never to sell the truth to serve the hour. Nobody will care about or little reck of the ephemeral campaign issues which he debated. As his speeches are read and conned by the coming generation, however, they will see that underneath the policies which divided the people in his day, Bryan was guided always by underlying fundamental foundations of truth and justice. It was upon the solid rock of principle, not policy, that he rested all his contentions.

When bimetalism was uppermost in the public mind, Bryan clothed the issue with the vestment of hostility to any monetary standard which he thought would tend to enrich the few at the expense of the many. He grew up in the belief that the demonetization of silver in 1873 was "a conspiracy to destroy three sevenths of the money of the world by legislation", and he held with John G. Carlisle, who said in 1878, that the act of 1873 was "the most gigantic crime of this or any other age." Believing that there was not enough gold in the world to furnish the necessary primary money and that the remonetization of silver would restore prosperity, Mr. Bryan advocated with all his earnestness the free and unlimited coinage of silver as a means to that end.

When imperialism was the paramount issue, it was lifted up in his conception to a searching inquiry as to whether any nation had the right to buy dominion over an unwilling people or to control their country by force of arms, even with the altruistic promise of benevolent assimilation. Bryan warned of its evils and dangers. "Be not deceived", he said. "If we expect to maintain a colonial policy, we shall not find it to our advantage to educate the people, lest they learn to read the Declaration of Independence and the Constitution of the United States and mock us for our inconsistency."

When tariff loomed as the paramount question, Bryan declined to debate percentages and schedules or to lower the plane to determining whether a rate of 25 percent was more sacred than one of 50 percent. To him the whole matter of tariff taxation hung upon whether there existed the right to tax one man to give wealth to another. He believed the Supreme Court had laid down the only sound principle in the declaration that "to lay with one hand the power of the Government on the property of the citizens and with the other to bestow it upon favored individuals to aid private enterprises and build up private fortunes, is none the less a robbery because it is done under the form of law and is called taxation." He practiced what he preached. When asked in debate the question which his interlocutor believed would entrap him, whether he would vote for tariff favors to the growers of beet sugar in his own State, Bryan replied in the negative, adding with impressiveness: "When it is necessary to come down to Congress and ask for protection or a bounty for my State, which I would refuse as wrong to an industry in another State, I shall cease to represent Nebraska in Congress."

When a campaign was fought out upon the trust issue, Bryan gave evidence that he had no patience with what he regarded as quibbling about "unreasonable restraint", or suggestions of "regulation." He wrote the trust plank in the platform of the Baltimore Convention, using seven words to compress his lifelong conviction as to monopoly. They were: "A private monopoly is indefensible and intolerable."

When the issue revolved around the policy of his country toward smaller nations, Bryan's attitude was one that harmonized with his measuring every proposition by the yardstick of the Golden Rule. He considered that no public questions could be separate from both morals and the principle of popular government. He was adamant against dollar diplomacy. He declared that his Government, having proven by its action its willingness to protect a little republic in its rights to have its controversies with great nations settled by arbitration rather than by force, is now prepared to assert with equal emphasis its unwillingness to have an American republic exploited by the commercial interests of its own or any other country.

When currency reform was to the fore, as in 1913, Mr. Bryan insisted that the issue of money was an exclusive function of government and should not be surrendered. He refused to endorse a proposed authorization of notes by agencies outside the Federal Government. He also objected to the plan of permitting banks to select representatives to serve as members of the Federal Reserve Board. He argued in favor of making the entire Board of Control appointive by the President, so that the Government would have complete and undisputed authority over the issue of Government notes, which, in his judgment, should be substituted for the contemplated bank notes. There was sharp division of opinion on both these points, but Bryan's view prevailed on both and was incorporated in the measure which made possible the successful financing of the World War. Senator CARTER GLASS, leader author of the measure in the House of Representatives, paid public tribute to Bryan, writing him: "We are immensely indebted to you for effective aid * * * for sound legislation."

When the issue raged, after the Supreme Court, by a margin of 1 vote, declared that the income tax levied in the Wilson-Gorman Act was unconstitutional, it was Bryan who began and successfully carried on the vigorous campaign for the income-tax amendment to the Constitution until it was incorporated as the sixteenth amendment to the Constitution. Hardly was the ink dry on the majority Supreme Court decision before Bryan mobilized the forces of opposition to exemption from taxation of those who were most able to support the Government.

On every stump in 1914 Bryan sounded a blast upon his bugle horn which summoned the people to enlist in a war to the finish for an amendment to grant Congress power to levy an income tax. He quoted everywhere the dissenting opinions of Justices Harlan and White in answer to the charge that he was an anarchist and that his crusade constituted an attack on the Supreme Court. These dissents furnished to Bryan the shibboleths in his crusade against a decision which exempted the rich from just taxation. Nearly all the States ratified the amendment, which became a part of the Constitution shortly before Bryan became Secretary of State. He was permitted to rejoice in after years by the enactment of comprehensive income-tax provisions, drawn by Hon. Cordell Hull, one of his successors in the State Department, as an integral part of the Underwood-Simmons tariff law enacted in the early days of the Wilson administration.

If the name of the real author of the sixteenth amendment to the Constitution should be emblazoned on the proclamation in the State Department, it would bear the inscription: "Made by William Jennings Bryan." It was Bryan who had secured the necessary number of signers to instruct the Ways and Means Committee to incorporate taxation on incomes in the revenue bill of Cleveland's day when it was in the making. As a young student of law under the great Lyman Trumbull, pioneer for income and inheritance taxes, Bryan had profited by the lessons in "radicalism", as such views were called in an era when to run counter to favoritism to the powerful was to invite harsh epithets. In an early argument for the income tax Bryan had said: "The poor man is called a socialist if he believes that the wealth of the rich should be divided among the poor, but the rich man is called a financier if he devises a plan by which the pittance of the poor can be converted to his own use."

When the purchase and sale of seats in the United States Senate had raised the issue of changing the method of electing Senators, it was Bryan who took the laboring oar. For 18 years, in season and out of season, beginning in 1890, when he was elected to Congress from Nebraska, he had inveighed against a system which he believed lent itself to logrolling and corruption. He urged that Senators, like Members of the House of Representatives, be elected by direct vote of the people. In his first term in Congress he urged and voted for an amendment to the Constitution to effect that change, and in 1900 embodied a plank demanding it in the Democratic platform and in subsequent platform declarations. To him, in view of his long fight to secure its ratification, it was a peculiar pleasure, shortly after becoming Secretary of State, to sign the proclamation declaring direct election of Senators by the vote of the people a part of the Constitution. If the name of the man to whom most credit is due for that victory should be inscribed on the seventeenth amendment, it would bear the lettering "Made by William Jennings Bryan."

When the country was aroused about the liquor traffic, it was Bryan who threw himself with moral fervor into the thick of the fight in behalf of national prohibition. Up to 1912 he had opposed making it a national issue. His position then was that, without being able to secure the necessary constitutional amendment, pressing that issue would interfere with the economic reforms to which he was wedded. After those reforms had been adopted, or in process of adoption in the Wilson administration, Bryan gave his active support to the eighteenth amendment. Its executive supporters, when victory came in 1920, wrote him:

"During all the recent months leading up to the final battle, your voice has sounded the high notes of idealism in this fight for humanity, has inspired your friends to confidence and enthusiasm, and has sent the shock of alarm throughout the ranks of the liquor forces" He believed the permanence of prohibition largely depended upon its support by one or both of the great political parties. In the National Democratic Convention at San Francisco he urged the adoption of a dry plank. The ensuing debate on that plank, staged between Bourke Cockran and William Jennings Bryan, was the high light of oratory in that convention. The majority elected not to take sides in what was then called "a moral issue", and Bryan's plank was not adopted. At the close of the convention, when asked for an expression, Bryan declined, saying: "My heart is in the grave with the dry plank, and I must pause until it comes back to me."

When there was an organized and aggressive movement to extend equal suffrage to women, it found Mr. Bryan one of its most earnest champions. His "Mother Argument", often quoted, closed with: "Because God planted in every human heart a sense of justice, and because the mother argument makes an irresistible appeal to this universal sense, it will finally batter down all opposition and open woman's pathway to the polls."

When, as it reached its crescendo in 1896, the use of money in politics became a national scandal, and men sought to purge elections so that offices would not be put up to the highest bidder,

Bryan offered what he thought would lessen the evil, at least in a measure, in the form of a law providing for publicity of campaign contributions. His proposition became a law. It should be labeled "Made by William Jennings Bryan."

When government by injunction had routed the ordinary processes of trial by jury, it was Bryan who joined hands with Gompers and others to curb the ex parte issue of the writ and secure the settlement of disputes by law and by arbitration. When labor felt that men who toil as well as capital should be represented in the Cabinet, it was Bryan who joined with others in advocating an addition to Cabinet membership. He had the joy of being a colleague in the Wilson administration of Hon. William B. Wilson, the first man to serve as Secretary of Labor.

When rebates and high railroad rates caused the people to demand regulation of railroads, it was Bryan who threw his weight for the needed legislation. When such regulation did not bring the results he had expected, Bryan jeopardized his chance for election to the Presidency by advocating Government ownership and Government operation. He had come to the conclusion that regulation had failed to bring about the desired results in a day when neither his own nor any party would support that "revolutionary" position, as it was denominated.

When international friendship demanded that Colombia be recompensed for the taking of Panama, Bryan invited and received denunciation and the accusation that he had been guilty of betraying the honor and interest of the American people by submitting to blackmail. Those were the words employed by Theodore Roosevelt in his vigorous arraignment of Bryan's proposal to pay Colombia $25,000,000, coupled with an expression of sincere regret that anything should have occurred to interrupt or mar the relations of cordial friendship that had so long subsisted between the two nations. Bryan lived to see the so-called "blackmail" paid in the administration of President Harding. There was no material alteration in the treaty he had favored. The change was that the words "sincere regret" were deleted. Colombia acquiesced in the variation because it regarded the payment of the money as admission of American offense by participation in the alienation of a part of its territory without so much as saying "by your leave."

When the ancient monarchy of China, reborn as a republic, was looking for a helping hand, it was Bryan who opposed the sanctioning of the six-power loan. The attitude was thus expressed by President Wilson, who said such loans "might conceivably go to the length of forcible interference in the financial and even the political affairs of a great oriental state." That act was promptly followed by the recognition of the new Republic of China in the "confident hope and expectation that in perfecting a republican form of government the Chinese will attain to the highest degree of development and well-being."

When near war with Japan brought lowering clouds over the Pacific in 1913, it was Bryan who hastened to California in the hope of aiding in ameliorating the situation which had aroused our Japanese friends. Later, in Washington, an impasse seemed to have been reached. Closing an interview with the Secretary of State, the Japanese Ambassador rose with dignity and sadness to leave, saying:

"I suppose, Mr. Secretary, that this is the last word."

The day was saved when Mr. Bryan replied:

"There is no last word between friends, Baron Chinda."

That reply, the product of the sort of diplomacy that comes from the heart and secures results, was the beginning of assuaging influences which caused statesmen to agree with Bryan that it is the business of officials "not how to wage war but how not to get into war."

When the American people, with a long look ahead, envisioned the day when there would be need for another isthmian canal it was Bryan who negotiated the Bryan-Chamorro Treaty, which was ratified by the United States and Nicaragua. Its terms stipulated that the United States agree to pay Nicaragua $3,000,000 for the exclusive right "for the construction, operation, and maintenance of an interocean canal by way of the San Juan River and the great lake of Nicaragua, or by way of any route over Nicaraguan territory." In addition to obtaining this canal route, Bryan secured for the United States "a 99-year lease to the Great Corn Island and the Little Corn Island in the Caribbean Sea", and "a like lease to establish, operate, and maintain a naval base at such place upon the Gulf of Fonseca as the Government of the United States might select." The day may come—it will come as world commerce is sure to expand under enlightened trade arrangements by the nations—when the construction of the Nicaraguan canal will bring the long-cherished dream of John T. Morgan to fruition. Then we shall realize the statesmanship of Secretary Bryan in securing a treaty which will bless not only Nicaragua and the United States but all the nations of the earth as well.

When peace lovers, long before the holocaust that bled Europe white and took toll of the flower of the youth of many countries, were seeking to find a method to lessen the danger of war, or to end that scourge, it was Bryan who drafted and urged a formula which was later approved by 30 nations. It became an integral part of the Covenant of Peace signed at Versailles. To be sure, in every century since the star shone over Bethlehem men of good will had sought some way that would lead to the outlawry of war.

It remained for Bryan as early as 1906 at the Inter-Parliamentary Conference in London to introduce and secure the adoption of a resolution that would call for an investigation and give time for the marshaling of public opinion before a declaration of war. "If we but stay the hand of war until conscience can assert itself", Bryan declared, "war will be made more remote." He saw the need of "cooling time." In 1905 he had, in an open letter to Theodore Roosevelt, urged arbitration as a substitute for war. The compelling motive which induced Bryan to accept the tender of the portfolio of Secretary of State in 1913 was that it provided the opportunity to obtain international peace agreements. He unfolded to the President-elect before his acceptance his ideas of the way to lessen the danger of war, which had long been maturing in his mind. In their passion for peace, as upon most public policies, the views of Wilson and Bryan ran along together. Bryan was the first American statesman to make an avowal that any workable peace program must embrace all disputes. Other plans had excepted from investigation or arbitration disputes involving national honor. That exception was fatal, for it opened a door by which any nation could escape investigation by contending that national honor was involved. Bryan insisted upon the inclusion of all questions. His treaties also provided that a year's time be given for investigation and report, during which time neither party could declare war. The treaties embodying that provision, known as "the Bryan talk-it-over plan", were ratified by 30 nations, representing four fifths of the population of the world, including all of large influence except Germany and Japan. Andrew Carnegie believed the Bryan treaties would "result in the triumph of peace ninety-nine times out of a hundred." He hailed Bryan as "a notable champion of peace", and "the foremost negotiator of international peace treaties."

When Europe plunged into the abyss of war, it was Bryan who supported with most enthusiasm Wilson's adherence to the doctrine of neutrality and continued his support of the President until he became convinced that Wilson's policy might involve the United States in the World War. He insisted that the note sent to Germany should be counterbalanced by one or more accompanying acts. These suggested acts were thus stated by Mr. Bryan: 1. "A statement that the settlement of disputed issues would be deferred in accordance with the principle of the conciliation treaties"; 2. "A prohibition of warning against travel on belligerent ships carrying contraband"; 3. "An immediate note to Great Britain asking satisfaction on the matter of interference with American trade."

When President Wilson did not feel that he could accept these suggestions of his Secretary of State, Mr. Bryan, on June 8, 1915, resigned from the Cabinet. In accepting it "with regret", President Wilson said: "We are not separated in the object we seek, but only in the method by which we seek it." In Mrs. Bryan's diary she discloses that her husband was so disturbed and distressed as to his proper course that his sleep had become broken and she "saw something had to be done." The crucial week-end before his mind was fully made up was spent in the house of a friend, Senator Blair Lee, at Silver Spring. "More heavy-eyed than ever", Mrs. Bryan records, "Mr. Bryan took two long walks." It was hoped they would so weary him physically that he could sleep, but nothing could compose Mr. Bryan in his agony of spirit. He was passing through his Gethsemane. He was torn between conflicting desire and duty. He loved the high station he held. Its associations and opportunities made it impossible for him to lay it down without a wrench. His hostility to war dominated him.

Doubtless in his troubled hour of decision, the declaration of Tolstoy, beloved of Bryan, was with him. Tolstoy long before had declared to Bryan, in answer to an inquiry, "The use of force to protect or create a right is never defensible." These words and Bryan's declaration when he entered the Cabinet that there would never be a war while he was in office were present in his thoughts as he tread the wine press alone. Never did human come to a conclusion through more travail. When the conviction was borne in upon him that he "could do more to prevent war on the outside than inside", he felt impelled to the greatest renunciation of his life. It was reached in a struggle beyond words to describe. "I must act in accordance with my conscience", he said to his Cabinet colleagues in a sad and tearful farewell as they sat at lunch as his guests. "As I leave the Cabinet, I go out in the dark, though I have many friends who would die for me. The President has the prestige and power on his side." Mr. Bryan later compressed his convictions and his course in these words: "Because it is the duty of the patriot to support his government with all his heart in time of war, he has a right in time of peace to try to prevent war. I shall live up to a patriot's duty if war comes. Until that time I shall do what I can to save my country from its horrors." Obedient to these views, Mr. Bryan "on the outside" spoke from coast to coast, with all his passionate hatred of conflict at arms, against American entrance in the World War during the 21 months that intervened between his resignation and the declaration of war. Finally, when the die was cast, Mr. Bryan, the saddest man in America, volunteered his service in any capacity in this telegram to the President: "The quickest way to peace is to go straight through supporting the Government in all its undertakings, no matter how long or how much it costs."

The armistice signed, Bryan warmly supported President Wilson in urging the ratification of the Treaty of Versailles and the creation of the League of Nations, through which the organized nations of the earth undertook to guarantee permanent peace. He counseled the Senate to accept it as it was brought from Paris by President Wilson. To him this covenant of peace was the fulfillment of his long-cherished hope to end wars. When it became clear to him, during the long-drawn-out debate, that the Senate would not ratify the treaty without reservations, Bryan declared "the important thing is ratification—ratification as soon as possible, ratification in time for the first League session on January

16, 1920." If the Senate demanded reservations as a condition precedent, he advised accepting them rather than to contemplate the ills which he thought would follow failure to ratify.

The militant fundamentalists, believing that the teaching of evolution in the schools and colleges was undermining faith in the Christian religion, organized to prevent such instruction. It was Bryan who buckled on his armor and led in the conflict which he had much to do with initiating. He profoundly believed that Genesis gave the only true history of creation and that teaching anything not in harmony with the account recorded in "the inspired word of God" was subversive of religious faith and sound morals. He urged legislatures to make enactments against such teaching in schools and colleges supported in whole or in part by public taxation. The Legislature of Tennessee followed his advice and enacted a law to carry out his recommendation.

Bryan, with the flaming zeal of a crusader, responded with alacrity to the request that he take the leading part in the trial at Dayton to uphold the law. The result in the court was a victory for Bryan and his associate counsel. The fate of the young teacher under indictment was lost sight of in the legal combat between Bryan and Darrow. The verdict won, Bryan spent his last busy hours on earth dictating, and correcting the proofs of the speech with which he expected to close the case for the prosecution. The trial had terminated without argument. He felt that his appearance at Dayton, coupled with the argument which he prepared with great care, was, to quote his own words, "the mountain peak of my life efforts." On Sunday morning, following the trial, he attended church where he offered prayer and after lunch lay down to rest. While sleeping he passed peacefully into the world beyond the stars. Those who stood with him in this last conflict declared that Bryan, "the Christian crusader", literally fell on the field of battle, upholding the authority of the word of God.

Fittingly the closing words of his finished address—the last lines he dictated in life—were from the old hymn which had been his strength and fortress in all the years of his life:

"Faith of our fathers, living still,
In spite of dungeon, fire, and sword;
O how our hearts beat high with joy
Whene'er we hear that glorious word—
Faith of our fathers—holy faith
We will be true to thee till death."

WATERS OF THE COLORADO RIVER

Mr. ASHURST. Mr. President, I ask unanimous consent to have printed in the RECORD certain correspondence between Hon. Harold L. Ickes, Secretary of the Interior, and Mr. W. P. Stuart, editor of the Prescott Evening Courier, at Prescott, Ariz., relative to the waters of the Colorado River. Mr. Stuart's letter clearly and concisely sets forth Arizona's attitude on this vital subject.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows:

SECRETARY ICKES AND THE COLORADO RIVER

Several weeks ago the Evening Courier, in an editorial, expressed keen disappointment with Secretary of the Interior Ickes because his name was placed on the brief in opposition to Arizona's move in the Supreme Court to perpetuate certain testimony in connection with the Colorado River dispute between this State and California. It was alleged the Secretary unfairly had sided with California in the litigation, but in a letter in reply to the editorial the Cabinet Member denied this, and said:

APRIL 23, 1934.

EDITOR THE COURIER,
Prescott, Ariz.

DEAR SIR: Your editorial of April 3, entitled "Hiram Johnson's Echo in the Cabinet", has just now come to my notice.

The basis of your criticism is my act in filing a brief in Arizona's suit in the United States Supreme Court to perpetuate testimony in the Colorado River water controversy, alleging that I "butted into the case."

You should know that I was named as one of the defendants by Arizona, and my brief was in answer to a rule to show cause issued by the Court on February 19, 1934. If my response to a court order served on me as a Government officer in a suit in which the United States is a party constitutes "butting in", then you have given a new definition to this expression.

Now as to my alleged partiality to the interests of California, which you say influenced my response unfairly. My sole act, personal or official, in this case was to sign a letter on March 1, 1934, to the Attorney General notifying him that I had been served with a rule to show cause in this suit. With the letter, which was prepared in the office of the Solicitor of this Department without instruction from me, I furnished a copy of the bill and rule and recommended that the Attorney General "take appropriate action to protect the interests of the United States." This is the customary procedure, as the Attorney General prosecutes and defends suits involving the United States. In this case he was, in effect, my attorney, and all subsequent steps, including the preparation of the reply brief, were taken by members of his staff. I was not thereafter consulted, nor did I suggest the answer. A copy of my letter is in the official files and is subject to inspection. In the light of these facts, your accusation of intrigue and poor judgment on my part would have to include the Attorney General and his staff.

I realize that as a Government officer my acts are open to criticism from any quarter and that my motives are subject to interpretation or misinterpretation, which is one reason why I do not usually reply to critical editorials. But you so obviously need information on how Government affairs of this sort are handled that I could not resist writing you.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior.

The editor of the Courier, while not questioning the belief of the Secretary of the Interior that, insofar as his information goes, he pursued an impartial course, replied with the assumption Mr. Ickes had been led into a biased attitude through the influence of subordinates, whose duties are to obtain facts in such matters as the Secretary, through stress of work, lacks the time to ascertain on his own account. The answer follows:

MAY 1, 1934.

HAROLD L. ICKES,
Secretary of the Interior, Washington, D.C.

DEAR MR. ICKES: Your letter of April 23 is at hand.

It was considerate of you to write me, and I appreciate the explanation of your viewpoint and the citing of the reasons why you responded in the premises in a manner that suggested prejudice in favor of California. There is, however, so far as the State of Arizona is concerned, ample grounds for us to be dissatisfied with your action.

Here is a case where Arizona is seeking to perpetuate the testimony of that which actually transpired at the conference in Santa Fe in 1922 and what the parties meant by certain provisions of the Colorado River Compact. What fair-minded person would object to that? What possible harm could come to anybody by putting down in black and white the history of the meeting and a permanent inscription of its details? It is apparent that the spokesmen of five of the States attending the gathering thought the way Arizona did, because Wyoming, Colorado, New Mexico, and Utah have not opposed the taking of this testimony. They ask that they be accorded the right to cross-examine, which, in any eventuality, would be their privilege. California, on the other hand, bitterly has opposed bringing out the real facts of what took place at this conference; and you, acting through subordinates, have espoused the same position that California assumed.

Had those under your direction arrived at their conclusions independently, we would not have the same cause for criticism that we sincerely feel is ours; but, when presumably accurate information comes to us that the solicitors of your Department are working in conjunction with the representatives of the Metropolitan Water District of Southern California, we believe there is an excuse for the impression that we are not getting a square deal from you. Moreover, color is lent to this when it appears the California representatives called a meeting in Denver with the other States and tried unsuccessfully to get them to take the stand this newspaper editorially criticized you for occupying. It seems to us you have gone out of your way to be partial to the interests of one State, in a controversy among States, where no trace of bias should be.

In your letter it is stated your opposing brief to Arizona's request was filed in the capacity of a Government officer "in a suit which the United States is a party", which reveals a phase of the case that we in this State simply cannot see; we are unconvinced that you were required to take any particular stand in behalf of either participant; and if you, or anyone else, can show wherein the United States Government is a party in the action there will have been translated from invisibility and unintention a meaning of which the agents of Arizona are unaware.

Perhaps you do not know that at the time the Colorado River compact was prepared and ready for signature at Santa Fe, in November 1922, it only provided for the division of 15,000,000 acre-feet of water, and that Arizona refused to sign the compact because the Gila River had been included as part of the waters divided, and no provision was made for Arizona on that account, in spite of the fact that the waters of the Gila River entirely are put to use in our State. It was then agreed by all who were present there should be added another provision, whereby 1,000,000 acre-feet should be allowed to the lower Basin States, with the understanding among all of the States that this 1,000,000 acre-feet was to go to Arizona as her compensation for signing the compact with the Gila River included.

California shortly afterward denied this was the true meaning of the inclusion of the 1,000,000 acre-feet, and Ray Lyman Wilbur, your predecessor, accepted California's position on this question. Notwithstanding the fact that the State of California has limited herself to 4,400,000 acre-feet, in order to get the Swing-Johnson bill passed, your predecessor gave to her water contracts for 5,350,000 acre-feet.

It is for these reasons that we want to show the real meaning of the compact and are asking to perpetuate this testimony. I realize the position you have taken has been brought about by the fact that you do not have the time personally to pass on all questions in your Department.

I also want to apologize for references in the editorial to which you found exceptions that were not pertinent to the question at issue. I have the utmost faith in your integrity and am con-

vinced you measure up to the high standard of earnestness required by the present national administration; but I still am of the opinion that your excessive burden of responsibilities has kept you from gaining a correct perspective of the Colorado River controversy between this State and California, and that your perception of the dispute mainly has been through glasses stained with the orange hues of the Golden State.

With assurance of my kindest regards, I am,

Very truly yours,

W. P. STUART,
Publisher Prescott Evening Courier.

RETURN OF FUGITIVE WITNESSES

Mr. COPELAND. Mr. President, I am not sure whether there were included in the messages which have come over from the House this morning the "crime bills", so-called; but, if so, I beg the Senator from Arizona [Mr. ASHURST] not to yield readily to certain amendments which were made, particularly to the bill relating to the return of fugitive witnesses.

That bill was mutilated; it was destroyed by what was done in the House. The purpose of the bill is to provide for the return of witnesses to a crime, not the principal. There is a way under extradition proceedings to bring back the principal, but district attorneys and prosecuting attorneys of the country are defeated in their desire to apprehend and prosecute criminals by the disappearance of witnesses who, either by coercion or by bribery or by fear, are driven out of the jurisdiction of the court.

As is universally conceded by the authorities, the particular bill is needed more than any of the other so-called "antigangster bills." I was amazed that the House should strike out what is probably the most important provision of the bill. I was still further amazed at the statement, according to the RECORD, that the Department of Justice had said it was unwise to have the provision in the bill. We might as well defeat the bill as to pass it in the form in which it comes to us from the House.

I am sure the Senator from Arizona, having had his attention brought to the matter, will not yield readily to the action of the House in making the change.

Mr. VANDENBERG. Mr. President, I wish to join in the statement just made by the able Senator from New York [Mr. COPELAND] in an appeal to the Senator from Arizona [Mr. ASHURST]. So far as the situation in Detroit, Mich., is concerned, we had the direct testimony before our committee that if this one bill shall be added to the arsenal of defense against crime, our district attorney will take the responsibility for handling all the rest of the situation, but that he cannot hope to handle it, he cannot hope to cope with the interstate character, the mobile character of crime today, except as he may have the assistance provided by this particular bill.

I join with the Senator from New York in urging that the attitude of the House must have been based upon a misconception and misunderstanding of the situation and that the authorities must have the particular protection originally contemplated in the Senate bill.

Mr. BORAH. Mr. President, may I ask what particular bill it is?

Mr. VANDENBERG. It is the bill which makes it a crime for a witness to disappear across the State line and become a fugitive when wanted in a criminal prosecution.

Mr. COPELAND. Mr. President, I may add that it is not the thought of those who wrote the bill that witnesses should be brought back by Federal procedure to testify in a State case. It was our feeling that if it were made a felony for a witness to a capital crime to disappear from the State, the very fact of the existence of such a law would have a deterring effect. The fear of being arrested and tried in a Federal court for a felony because of becoming a fugitive would keep a witness within the State and at the disposal of the officials.

Mr. ASHURST. Mr. President, I listened, of course, with interest and sympathy to the statements made by the Senator from New York [Mr. COPELAND] and the Senator from Michigan [Mr. VANDENBERG]. In my opinion, the two Senators are correct in their conclusions respecting the so-called "antigangster bills."

I doubt if I have the right, under the rules of parliamentary law, to advert to anything that takes place in another body of Congress more than to say that I believe the bills as passed by the Senate ought to become the law, though we all recognize and respect the right of the House to make amendments.

At the proper time, when the bills shall be laid before the Senate, I shall request the Senate to ask a conference with the House on the subject of the antigangster bills and shall ask the Chair to appoint conferees on the part of the Senate.

I assure the Senate that, so far as I am personally concerned, I shall employ every proper effort and every energy at my command to sustain the position of the Senate respecting the bills.

REGULATION OF SECURITIES EXCHANGES

Mr. FLETCHER. I move that the Senate proceed to the consideration of Senate bill 3420, being the bill to regulate securities exchanges, and so forth.

The VICE PRESIDENT. The question is on the motion of the Senator from Florida.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 3420) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes, which had been reported from the Committee on Banking and Currency without amendment.

Mr. FLETCHER. Mr. President, I may be a little tedious in endeavoring to state the case to the Senate regarding a measure which is extremely complicated, difficult, and far-reaching. I shall be as brief as I can, and as fair as I may be in presenting the question of the need for the legislation, the demand for it, and what I concede to be the sound conclusions reached in the form of the bill now presented to the Senate.

On March 2, 1932, a resolution was introduced in this body by the Senator from Delaware [Mr. TOWNSEND], at the request of his colleague [Mr. HASTINGS], and was approved on the calendar day of March 4, 1932. It provided that the Committee on Banking and Currency or any duly authorized subcommittee thereof was—

> Authorized and directed, first, to make a thorough and complete investigation of the practices with respect to the buying and selling and the borrowing and lending of listed securities upon the various stock exchanges, the values of such securities, and the effect of such practices upon interstate and foreign commerce, upon the operation of the national banking system and the Federal Reserve System, and upon the market for securities of the United States Government, and the desirability of the exercise of the taxing power of the United States with respect to any such securities—

And so forth.

Other resolutions were subsequently introduced looking in the same direction, among them being a resolution adopted on April 4, 1933, extending the powers of the committee and providing that the committee—

> Shall have authority and hereby is directed—
>
> (1) To make a thorough and complete investigation of the operation by any person, firm, copartnership, company, association, corporation, or other entity, of the business of banking, financing, and extending credit; and of the business of issuing, offering, or selling securities;
>
> (2) To make a thorough and complete investigation of the business conduct and practices of security exchanges and of the members thereof;
>
> (3) To make a thorough and complete investigation of the practices with respect to the buying and selling and the borrowing and lending of securities which are traded in upon the various security exchanges, or on the over-the-counter market, or on any other market; and of the values of such securities; and
>
> (4) To make a thorough and complete investigation of the effect of all such business operations and practices upon interstate and foreign commerce, upon the industrial and commercial credit structure of the United States, upon the operation of the national banking system and the Federal Reserve System, and upon the market for securities of the United States Government, and the desirability of the exercise of the taxing power of the United States—

And so forth.

In pursuance of those resolutions the Committee on Banking and Currency appointed a subcommittee. The subcommittee has been almost continuously engaged in the investigation.

There were a few weeks in 1932, during the summer vacation, and in 1933, when the committee were not holding hearings; but beginning October 3, 1933, practically every day, 4 or 5 days a week, hearings were held by the subcommittee. Every opportunity has been given the stock exchange, investment bankers, holding companies, industrialists, bankers, and what not, everybody interested in the subject, to be heard respecting the bill which was introduced and respecting the matters involved in the investigation. Subsequently there was introduced Senate bill 2693, and hearings were had upon that bill, and all persons interested were given opportunity to present their views to the committee.

Some 21 volumes of hearings have been printed. There probably will be two or three more volumes before we shall finish the final print, including the exhibits. In addition to the printed volumes a cross-reference index is being prepared, and is now practically complete. That will enable Senators to have access to the hearings with more convenience and speed, and will make the volumes all the more usable.

We expect later to make a report covering all the hearings, including the printed documents and the index, and to lay the whole subject before the Senate in response to the resolutions of the Senate.

Considerable results have already been attained. For instance, it may be mentioned that the National Bank Act of 1933 contains provisions based upon the developments before the committee, particularly with reference to the separation of commercial banks from affiliates. Another provision based upon the developments before the committee was the extension of the powers of the Federal Reserve Board so as to enable it to have a greater control over the flow of credit away from agriculture, industry, and commerce into speculation. As I say, that grew out of the hearings.

Another act which Congress passed last year, known as the "Securities Act", is the result of matters brought to light in connection with the hearings.

Now the final stage is reached. This bill, demanded by the country everywhere, is before the Senate. It undertakes to provide a system, plan, or method of Federal supervision of securities exchanges.

The hearings already printed are, of course, available to the Senate. As I stated, they are not entirely complete, because some of the work is now under way in the Government Printing Office. The last volumes of hearings and the index itself will be laid before the Senate shortly, so that all the data may be at the command of the Senate.

It may well be claimed that economic and social problems, and even legal problems, are approached under the influence, more or less, of our political and social philosophy. There is room for a difference of view. It may be conceded that legal principles must form a part of economic and social theories.

Events since the fall of 1929 have shown grievous errors of habits and practices in the past, and established universal demand for corrective measures and new methods. The demand was for a new deal, it being understood that this is a slogan, not a new political system or creed. It is a moral attitude in governmental action. Applying it to the measure now submitted, its cardinal principles I conceive to be, first, restoring as a rule of moral and economic conduct, a sense of fiduciary obligation; and, second, establishing social responsibility, as distinguished from individual gain, as the goal.

The President has three times in public messages and communications recommended legislation of the sort embodied in this bill. He has recognized that the stock exchanges of the country are not only a useful but an essential mechanism in our financial and economic structure, and serve a necessary public purpose. They are not private enterprises, free from a public interest or function.

In the hearings before the committee, representatives of the stock exchanges have conceded the principle of Federal regulation.

The objectives are appreciated by the stock exchanges and the administration.

Mr. Richard Whitney, president of the New York Stock Exchange, the giant among them all, said to our committee:

> It is the purpose of the New York Stock Exchange to assist in every possible way in the prevention of fraudulent practices affecting stock-exchange transactions. excessive speculation, and manipulation of security prices. We should be glad to see a regulatory body, constituted under Federal law, supervise the solution of these grave problems. We suggest in principle, and subject to the requirements of law and the constitutional power of Congress, an authority or board to consist of 7 members, 2 of whom are to be appointed by the President; 2 to be Cabinet officers, who may well be the Secretary of the Treasury and the Secretary of Commerce; and 1 to be appointed by the Open Market Committee of the Federal Reserve System; the 2 remaining members will be representative of stock exchanges, one to be designated by the New York Stock Exchange and the other to be elected by members of exchanges in the United States other than the New York Stock Exchange. Such a body would bring together a personnel which would be properly coordinated with the banking system and in other respects qualified to administer the broad supervisory power which our proposal would give. We suggest the inclusion in the power given to this body of authority to regulate the amount of margin which members of exchanges must require and maintain on customers' accounts; authority to require stock exchanges to adopt rules and regulations designed to prevent dishonest practices and all other practices which unfairly influence the prices of securities or unduly stimulate speculation; authority to fix requirements for listing of securities; authority to control pools, syndicates, and joint accounts and options intended or used to unfairly influence market prices; authority to penalize the circulation of rumors or statements calculated to induce speculative activity, and to control the use of advertising and the employment of customers' men or other employees of brokers who solicit business. This body should also have the power to study and, if need be, to adopt rules governing those instances where the exercise of the function of broker and dealer by the same person may not be compatible with fair dealing, as well as the power to adopt rules in regard to short selling, if the supervisory body should become convinced that such regulation is necessary.
>
> We believe that these regulatory measures will prevent abuses affecting transactions on exchanges, and will at the same time not interfere with the maintenance of free and open markets for securities.
>
> This proposal represents the considered view of the New York Stock Exchange, adopted by its governing committee, which has given me authority to present it to you. I say to you confidently that the exchange will cooperate fully and by all the means in its power to assist in the prevention of unwise or excessive speculation and abuses or bad practices affecting the stock market.

That is a statement by the president of the New York Stock Exchange.

Mr. NORRIS. Mr. President——

The PRESIDING OFFICER (Mr. COPELAND in the chair). Does the Senator from Florida yield to the Senator from Nebraska?

Mr. FLETCHER. I do.

Mr. NORRIS. I should like to ask the Senator from Florida the date of the statement made by Mr. Whitney, particularly with reference to the time of taking testimony in the investigation conducted by the committee. Was it near the beginning of the investigation, or did he make the statement at its close?

Mr. FLETCHER. Practically at the beginning. My recollection is that it was Mr. Whitney's opening statement to our committee; and it seems to me plainly, inescapably an admission that there are practices on the exchange which are vicious and unjustified and abuses and errors which ought to be corrected. We have not quite conformed to the mechanism of making corrections that Mr. Whitney suggests. In the bill we attempt, however, to accomplish precisely the reforms which he says ought to be accomplished. Every abuse and bad practice set forth in his statement we attempt to correct in the bill.

We do not agree that a commission of seven, such as Mr. Whitney suggests, ought to have the administration of the proposed act. We have provided in the bill now before the Senate for a special commission of five, to be appointed by

the President and confirmed by the Senate. The proposed commission is to be similar to that which Mr. Whitney suggests, the original bill which was introduced having provided that the administration of the act should be under the Federal Reserve Board.

The bill has been amended three times, and in the form in which it is now before the Senate, it provides that it shall be administered by a special commission of five, to be selected by the President and confirmed by the Senate.

The bill does not provide that one of the commissioners shall be named by the New York Stock Exchange and one by the other exchanges of the country. What is the use of having a regulatory body controlled by those to be regulated? It provides for a separate commission, an independent commission, to be appointed by the President and confirmed by the Senate, to consist of five members instead of seven. In other respects the recommendations of Mr. Whitney himself are met, in my judgment, by the provisions of the bill.

Mr. COSTIGAN. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield.

Mr. COSTIGAN. As one member of the Committee on Banking and Currency who prefers using the Federal Trade Commission as a supervising agency, I feel that it might be helpful to the Senate if the able chairman of the committee will state the reasons why he prefers a separate commission.

Mr. FLETCHER. Mr. President, frankly, I favored the measure being administered by the Federal Trade Commission and the Federal Reserve Board. I favored the original bill. However, there seemed to be strong demand on the part of the members of our committee for a separate commission, and by a majority vote provision to that end was placed in the bill.

I see no reason why the Federal Trade Commission should not administer the act. I think the Federal Trade Commission have done and are doing splendid work in connection with the Securities Act, and I have every confidence in that Commission; but it was argued before our committee by those representing the exchanges that that is a commission which has had no experience in the handling of securities and that sort of thing, and that this matter ought to be handled by people who have knowledge of transactions involving the distribution and issuance of securities, and so forth. So the committee finally reached the conclusion that it was advisable to have the proposed act administered by a separate commission in connection with the Federal Reserve Board, which has to do with the handling of credit matters.

Mr. BARKLEY. Mr. President, will the Senator yield to me?

Mr. FLETCHER. I yield.

Mr. BARKLEY. It might be added, I think, that one of the reasons which actuated the committee, and also those outside of the committee who felt that an independent commission was preferable, was that, without any sort of reflection upon the good faith or the sincerity of the Federal Trade Commission or its ability to administer the law, necessarily it would have to be done under a subordinate bureau under the Federal Trade Commission; that it would be a sort of a lean-to under the Commission's original activities; while if a separate commission were appointed public attention would always be focused upon that separate commission. It was the theory also that the President could pick five men just as well qualified to administer the law separately as he could pick three additional men to be appointed to the Federal Trade Commission as a sort of a subcommittee of the Federal Trade Commission to administer the law.

I think those considerations had a good deal to do with the amendment substituting an independent commission for the Federal Trade Commission. It ought to be emphasized, however, that it was not done in any way through any lack of faith in the Federal Trade Commission, or any lack of appreciation of the fine work it has done heretofore; but the committee felt that a separate commission, whose duties would be centralized around the stock market and stock securities, would be in a better position to serve the public than a branch of the Federal Trade Commission.

Mr. GLASS. Mr. President, will the Senator from Florida yield to me?

Mr. FLETCHER. I yield.

Mr. GLASS. The Senator from Kentucky has clearly stated the view of those members of the committee who prefer a separate commission, except that it may be added that to some of us it was inconceivable that either the Federal Trade Commission or the Federal Reserve Board could do the work as effectively as could a separate commission appointed for the purpose, in view of the fact that the Federal Reserve Board and the Federal Trade Commission have important and complex duties which to perform them effectively, now occupy all of their time and their ingenuity. There was no purpose and no word uttered which might be construed into a reflection upon the Federal Trade Commission.

Moreover, the distinguished chairman of the committee will recall that it was not done because at one time the stock exchange wanted a separate commission. The distinguished chairman will remember very well that the commission proposed by the stock exchange was as different from the commission embodied in the bill as day is from night. The stock exchange was to have material representation of its own upon the commission it proposed, and on this commission there is to be no member of the stock exchange, and the members of the commission are textually prohibited from having any connection whatsover, direct or indirect, with any of the stock exchanges.

Furthermore, the stock exchange did not stay hitched to its own proposal for an independent commission. Its latest proposal was that the whole thing be turned over to the Federal Reserve Board, and there are those of us on the committee who think the Federal Reserve System ought to be kept as far away from the stock-gambling business as it possibly can be gotten, and its facilities denied to those engaged in stock gambling, or, to be rather more polite, in stock speculation.

It was for those as well as other reasons which might be mentioned, that the committee thought a commission picked for the purpose by the President, to be confirmed for the purpose by the Senate, subject to removal at any time, for reason, by the President, could very much more effectively perform these duties, than would be possible if they were divided up between the Federal Reserve Board and the Federal Trade Commission.

Mr. BORAH. The Federal Reserve Board has demonstrated in the past that it was not very expert in dealing with this matter, has it not?

Mr. GLASS. Exactly.

Mr. COSTIGAN. Mr. President——

The PRESIDING OFFICER (Mr. POPE in the chair). Does the Senator from Florida yield to the Senator from Colorado?

Mr. FLETCHER. I yield.

Mr. COSTIGAN. In fairness should it not be said that much duplication of work will be required if a separate commission shall be established? It has been estimated that approximately half a million dollars a year may be saved if this work is carried on by the Federal Trade Commission.

Mr. GLASS. Mr. President, will the Senator from Florida yield to me again?

Mr. FLETCHER. I yield.

Mr. GLASS. On the contrary, there would be infinite duplication if we adhered to the proposition presented to the committee to divide this work between the Federal Reserve Board and the Federal Trade Commission. In other words, the Federal Reserve Board has immediate and intimate access to all the reports of the Comptroller of the Currency, who is a member of the Federal Reserve Board. In addition to that, the Federal Reserve Board has its own examiners, supplementing the work of the examiners employed by the Comptroller of the Currency. What could be the sane reason for requiring reports to be made by members of the Federal Reserve Banking System to the Federal Trade Commission, when they are examined by these two sets of

examiners, and are required to make reports current and at any time to the Federal Reserve Board?

The Federal Reserve Board should not have anything in the world to do with it except to see to it scrupulously and at all times that Federal Reserve member banks do not lend their facilities for stock-speculating purposes.

Mr. COSTIGAN. Mr. President, will the Senator yield further?

Mr. FLETCHER. I yield.

Mr. COSTIGAN. I fear that there may be some misunderstanding of my suggestion, which was that a separate commission—my inquiry had no reference to the Federal Reserve Board—would necessarily duplicate much work relating to unfair practices and the administration of the Securities Act of 1933 now being carried on by the Federal Trade Commission. It was to the expense of that duplication alone that my remarks were directed.

Mr. FLETCHER. Mr. President, in that connection I may say that, while the Federal Trade Commission has done a splendid work in connection with the Securities Act, I see no really serious objection or sound reason for supposing that a special commission, as provided in this bill, should not efficiently and satisfactorily administer the provisions of the Securities Act, and I have offered an amendment, since the bill carries with it the provision that the Securities Act shall be administered by the special commission, providing for the transfer to the commission to be set up under the terms of this bill of the administration of the Securities Act, so there will be no duplication if the Senate shall agree to my amendment.

The Securities Act itself, and the Securities Exchange Act, will be administered by this special commission. Of course, some delay would be involved. It would involve the turning over largely of the personnel and the set-up already established by the Federal Trade Commission, but these two acts, the Securities Act and this Securities Exchange Act, are so intimately connected that it seems to me advisable that they both should be administered by the same authority, and therefore I have provided in the amendment which I have offered, the transfer of the administration of the Securities Act, with all the records and everything pertaining to it, to this Commission.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield to the Senator from Kentucky.

Mr. BARKLEY. In view of the fact that the Securities Act, which has been very admirably administered by the Federal Trade Commission up to date, contemplated regulation with respect only to new securities issued after the passage of that act, and had very little relationship to securities already in existence, and in view of the fact that the bill under consideration sets up a regulation of the stock exchanges in all securities, whether old or new, the combination of the two acts under the administration of one commission would eliminate the duplication to which the Senator from Colorado has already adverted, and inasmuch as they are inseparably related, not only so far as the issue of securities may be concerned but the purchase and sale of those securities on a registered exchange, the logical thing is to have both administered by the same body.

Mr. FLETCHER. That is the idea, I think, which was in the minds of the committee, and those who have done the longhand writing of this measure, and devoted weeks and weeks of study to it, and our final solution of it is that the two acts should be administered by the same body, which is provided in the amendment I referred to a moment ago. I did not intend now to go into that particular subject. I intended to give, if I could, a sort of general picture of the situation with respect to the bill itself.

Mr. KING. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield to the Senator from Utah.

Mr. KING. I may be asking a question as to a matter which has been covered by the Senator. The President some time ago appointed an interdepartmental committee of which the Secretary of Commerce, Mr. Ickes, was a member, for the purpose of studying the principles and policies involved in the measure now under consideration, and after an elaborate study the committee reached the conclusion that the administration of the stock exchanges should be placed in the hands of an administrative commission to be appointed by the President. I may add that, largely following their recommendation, I offered an amendment before any was offered in the Senate committee, dealing with the subject, under which it was proposed to vest the administration of the provisions of the law in an independent commission of three persons, to be appointed by the President.

Mr. FLETCHER. The Senator from Utah is quite right. It was proposed in the Senator's amendment to vest authority in a separate commission, and we took advantage of his suggestion in that regard.

We are endeavoring, Mr. President, permanently to correct the evils and abuses which Mr. Whitney mentioned and which he admits should be and may be corrected. We may not fully succeed, but we are making an honest and fair effort in that direction, with every confidence there will result great improvement and real benefit.

We propose by this measure to establish, through Federal regulation of the methods and the mechanical functions and practices of the stock exchange, an efficient, adequate, open, and free market for the purchase and sale of securities; also to correct abuses we know of and others which may exist; to prohibit and prevent, if possible, their recurrence; to restore public confidence in the financial markets of the country; to prevent excessive speculation to the injury of agriculture, commerce, and industry; to outlaw manipulation and unfair practices and combinations by which to exploit the public and misrepresent values, such as pools, wash sales, fictitious transactions, and the like; to oblige disclosure of all material facts respecting securities traded in on the exchanges, which disclosure is essential to give the investor an adequate opportunity to evaluate his investment.

Criticism is made that we are calling upon corporations to make disclosures, and that we are thereby putting them to an enormous expense and trouble, and inquiring into affairs into which we have no business to examine. My suggestion is that if any corporation issues securities which are unfit to be certified because of what is back of them, the securities themselves are unfit to be offered to the public.

What right have brokers to appeal to the public to buy their securities if they are not willing to tell the truth about those securities? That is the whole proposition, and all we ask of them is to tell the truth.

They do not seem to want to tell the truth, in the first place, and, in the next place, they especially complain about liability for material misrepresentations which have misled the public into buying securities. They are willing to expose, to some extent, the facts behind the securities, but they do not want to be liable in case they lie about them. That seems to be the basis of the objection. All we ask in the pending bill and in the Securities Act is that they tell the truth in their registration papers, so the public may know what is behind the securities.

We undertake generally to declare the intention of Congress, and enunciate specific principles as a guide to subsequent administration. That appears particularly in section 2. We lay the foundation for this legislation in section 2 of the bill.

The exchanges themselves, when they complained about our delegation of authority, proposed a bill, and advocated even greater delegation of power in the administrative body than is provided for in the pending bill.

In connection with the propaganda which has been broadcast over the country criticizing and objecting to the provisions of the bill, most of those who criticize say, "We object to the bill in its present form." The language in hundreds of thousands of letters which have come to the Members of Congress is, "We object to the bill in its present form."

This bill has been changed three times. The original bill was revised, and the committee then gave hearings upon the revised bill. The revised bill was introduced in the

House. It was never introduced in the Senate, but we considered it in the Senate as a revision of the bill S. 2693. We had hearings on it. Finally that bill was revised. We agreed to certain amendments of that bill, and then the whole question was referred to a subcommittee, and that subcommittee met and considered every word, every line, every sentence in the bill, day after day, week after week, in an honest effort to be fair to all concerned and to eliminate any harsh features that were objected to by those opposing the bill and in endeavoring to satisfy any reasonable demand in connection with the legislation.

Some complained it was too drastic here, some complained it was too drastic there, and we endeavored to straighten that out, and then the subcommittee reported to the full committee a third revision of the bill. The Senate Committee on Banking and Currency unanimously substituted that revision for the original bill, and then by a vote of 11 to 8 ordered a favorable report upon the revised bill, which is the bill S. 3420, now before the Senate.

In the propaganda which was spread all over the country—and we received numerous letters about it—the statement was made: "We understand this bill was prepared by some inexperienced young men in the departments, sometimes called 'brain trusters.'" Such a charge, I believe, was made, as the Senator from Illinois [Mr. LEWIS] suggests to me, in the chamber of commerce meeting. The question as to who were the authors of this bill is, I think, wholly irrelevant, immaterial, and impertinent.

Mr. BARKLEY. Mr. President, if the Senator will yield there, I do not think that claim was made by the chamber of commerce in any official pronouncement of its own but by somebody who made a speech before it.

Mr. FLETCHER. Doubtless that is quite true, for I never saw any mention of it in their resolutions. Upon that subject, however, the effort, of course, was to arouse prejudice and discredit at the outset of the work by the allegation that inexperienced young lawyers were the authors of the bill. I would not pay any attention to that suggestion, except that publicly it was declared and announced on several occasions, as if that had anything to do with the merits, which I strongly deny.

However, I dismiss that subject by referring to an editorial by Prof. Raymond Moley, in Today, of April 14. It is very short, and I will read it:

> Ah, the truth comes out at the end. This entire tirade against the administration generally, the exhortation to form a new party, this denunciation of Roosevelt, youth, and progressivism—all this is but window dressing to cover up the real purpose of the guardian of reaction. It is the stock-exchange bill that has put the Post so beside itself.

The editorial has been referring to an article in the Saturday Evening Post—

> Here, again, I know the facts at first hand. The ideas of this legislation did not come from a preconceived theoretic system of Government control of business. They were drawn from American experience, found in scores of places. The idea of limiting margins and speculative credit is as old as the hills. The provisions to protect stockholders from exploitation by insiders came from a partner of a most conservative law firm in Wall Street, who has himself taken credit for being the "foster father" of the provisions. (Name furnished on request.) The provision concerning adequate reports of corporations to their stockholders is something the New York Stock Exchange has been seeking for many years, although it had neither the courage nor the strength to put it through. The provisions concerning manipulative practices came from Mr. Pecora's Senate investigation.
>
> The President did not cause a bill to be framed. He asked Congress, under his constitutional rights, for legislation. The responsible committees of Congress proceeded to the task of framing it. These committees were under the chairmanship of two of the oldest and most-trusted Members of the two Houses—Senator FLETCHER and Congressman RAYBURN. Congressman RAYBURN and Senator FLETCHER indicated their objectives and purposes and at least a dozen men—old and young and certainly not inexperienced—drafted the legislation. They were professional bill draftsmen. They did not put their own ideas into the law.
>
> The bill was revised over and over again. All interested parties were heard. There have been at least 10 drafts of the measure. The bill was gone over word by word by Treasury and Federal Reserve experts, including Governor Black, who as yet has been suspected of no Moscow affiliations. Important sections were gone over and accepted by the Wall Street counsels actually appearing for complaining brokers, dealers, and bankers. The final result is as far from being the work of young and inexperienced men as the Constitution of the United States was the work of Randolph, who submitted the first draft.

Commissioner Landis testified before our committee that from 10 to 15 men worked on drafting this bill, so the claim vanishes that it is the work of a handful of inexperienced young lawyers. Professor Moley knows what he is talking about, and he gives the true statement about it.

Taking up the bill by sections, in a condensed way and without considering its details, it will be found that section 1 simply gives the title.

Section 2 gives an outline of the necessity of and lays the foundation for the bill.

Section 3 gives a definition of the words, terms, and phrases contained in the bill.

Section 4 establishes the Federal exchange commission about which we have been talking, a commission to be composed of five members, selected by the President, and so forth.

Section 5 deals with transactions on unregistered exchanges.

Section 6 deals with the registration of national securities exchanges.

Section 7 deals with margin requirements.

Section 8 deals with restrictions on borrowing by members, brokers, and dealers.

Section 9 imposes a prohibition against manipulation of security prices. That is a very important section.

Section 10 provides for the regulation of the use of manipulative and deceptive devices. That is another very important section.

Section 11 imposes restrictions on floor trading by members.

Section 12 provides registration requirements for securities.

On page 30, line 10, the word "accounts" should be "accountants." We will make that change when we reach it.

Section 13 deals with periodical and other reports.

Section 14 deals with proxies.

Section 15 has to do with over-the-counter markets.

Section 16 relates to directors, officers, and principal stockholders.

Section 17 treats of accounts and records, reports, examinations of exchanges, members, and others.

Section 18 has to do with liability for misleading statements.

Section 19 provides disciplinary powers over exchanges.

Section 20 has reference to the liabilities of controlling persons.

Section 21 has reference to investigations, injunctions, and prosecution of offenses.

Section 22 relates to hearings by the Commission.

Section 23 has reference to the public character of information.

Section 24 provides a court review of orders.

Mr. President, a very comprehensive report, I think, has been submitted by the committee. That report is on the desks of Senators, and I suggest that, if they have not already done so, they read that report, which goes into a very full explanation of the whole bill and analyzes it section by section.

Section 25 has reference to unlawful representations.

Section 26 has to do with the jurisdiction of offenses and suits.

Section 27 refers to the effect on existing law.

Section 28 deals with the validity of contracts.

Section 29 has to do with foreign securities exchanges.

Section 30 provides penalties.

Section 31 has reference to the separability of provisions.

Section 32 provides the effective date.

Mr. President, one of the practices indulged in by the exchanges is intended, as it is claimed, to protect the market for securities at least for a time after the offering, such as pegging the price of the German bonds. The courts here do not appear to have passed on the question, but in

England it has been passed upon (2 Queens Bench, 724, *Scott* v. *Brown*, 1892). Said the court, speaking by Mr. Justice Wright:

> If persons, for their own purposes of speculation, create an artificial price in the market by transactions which are not real, but are made for the purpose of inducing the public to take shares, they are guilty of as gross a fraud as has ever been committed and of a fraud which can be brought home to them in a criminal court.
>
> In this case the correspondence put in evidence by the plaintiff in support of the claim he made at the trial shows conclusively that the sole object of the plaintiff in ordering shares to be bought for him at a premium was to impose upon and deceive the public by leading the public to suppose that there were buyers of such shares at a premium on the stock exchange, when in fact there were none but himself. The plaintiff's purchase was an actual purchase and not a sham purchase (washed sale); that is true, but it is also true that the sole object of the purchase was to cheat and mislead the public. * * * I am quite aware that what the plaintiff has done is very commonly done; it is done every day. But this is immaterial. Picking pockets and various forms of cheating are common enough and are nevertheless illegal.

The practice referred to appears to be unfair, unjust, and really fraudulent, misleading the investing public. We endeavor to stop it by this measure.

Evidence before the Senate committee disclosed the case of a specialist who traded for his own account in the stocks in which he was a specialist, bidding it up or down in order to make the market, and thereby a profit to himself. He said that the result of this operation was that he was "murdered." He was a specialist in a certain stock. The theory is that people dealing in a particular stock go to a specialist to make their trades. He had orders to buy and orders to sell. We try to restrain that gentleman from taking advantage of the situation to benefit himself, and to prevent trading in the stocks in which he is a specialist and supposed to represent customers.

He virtually admitted he was trading in the stock in which he was a specialist. As a result of that, as he stated, he was "murdered." He was asked, "What do you mean by that?" He replied, "I only made $139,000." I suppose he thought he ought to have made half a million dollars or more, but because he made only $139,000 for his own benefit, to put in his own pocket, he thought he was murdered. That is a kind of practice we try to correct.

It would weary the Senate for me to go into much detail with reference to the experiences, and to relate some of the practices, but I may refer briefly to the subject of the claim of the stock exchanges that what they want is a free and open market.

The hearing revealed practices which bear upon claims of the stock exchange as a free and open market for securities. Just a few illustrations out of some 250 revealed in the hearings may be cited. The New York Stock Exchange is a voluntary association, not a partnership, not a corporation. It has 1,375 memberships, constituting "an oligarchy of enormous power and wealth." The price of membership has ranged within the past 10 years from $77,000 to $600,000. It is now $190,000. It claims to furnish a free and open market for securities.

Before passing from this feature, let me say that it was brought out the other day before the committee that stock-exchange members had made over $1,000,000,000 in clear profits during the last 6 years. A depression was prevailing everywhere, people were without buying power, impoverished, money scarce, and yet these gentlemen were able to clean up in the last 6 years, from 1929 to 1934, over $1,000,000,000 in profits.

Mr. Whitney made some reply to that, according to the press, claiming that we do not take into consideration what they have lost in the value of their seats; in other words, that the seats have gone down from $600,000 each to about $190,000, I believe they are at this time, and that there was a loss to the stock exchange in the value of their assets by virtue of that fact. That is true in a way. There was a shrinkage in the value of the seats on the stock exchange, but, as Mr. Untermyer pointed out a day or two ago, they have during that time sold some 350 seats. Let us say they sold them at $190,000 each. At that figure their assets must have been considerably built up. Multiplying $190,000 by 350 gives quite a neat little sum.

Passing on, in connection with the flotation of $100,000,000 of German bonds in June 1930, a syndicate was formed to handle them. The bonds were offered to the public at $90 on June 12, 1930. This syndicate or pool acquired a total of $9,200,000 of the bonds and promptly sold them to the public, the syndicate "pegging" them until the issue was sold out, the syndicate making a large profit. They dropped to 35½, and the loss to the investors on that basis of market value was $55,000,000. The operations of the syndicate or pool was to maintain the market price until they were sold out. It was testified by the highest authority that "that is an absolutely sound and customary method of merchandizing and distributing securities." This is the pronounced and admitted feature of the pool.

Here are some results: Kolster Radio Corporation was incorporated under the laws of Delaware, quite a favorite State for obtaining broad charters. It was to manufacture and distribute radio receiving sets, phonographs, and so forth, and was authorized to issue 1,000,000 shares of stock with no stated par value. In 1928 there had been issued 824,829 shares. The earnings of the company in 1927 amounted to 87 cents a share; in 1928, 20 cents. One Breen formed a pool. The market was manipulated. He was able to turn over to Spreckels, the president, $19,200,000 for stock which in the light of events was not worth a dollar and cost Spreckels little, if anything. Breen paid his brokers $182,760 in commissions, and his profit was $1,351,252.50—all coming from the public. Thousands of innocent investors had lost their money—over $19,000,000.

Mr. DAVIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Pennsylvania?

Mr. FLETCHER. I yield.

Mr. DAVIS. Was that profit made on the one particular issue?

Mr. FLETCHER. Yes; it was made in that transaction and in that pool.

Indian Motocycle furnishes another illustration. This company was organized in Massachusetts in 1913. It had 100,000 shares of common stock outstanding, carried on its balance sheet at $40 a share, and $688,000 of 7-percent cumulative preferred stock. In 1927 the company was heading for disaster. The stock was increased to 200,000 shares. A pool was formed. It manipulated the market, made enormous profits, and when they were through the stock dropped from 17 to 4½, then to less than a dollar, and then the victimized holders had only paper.

The Anaconda: A pool was formed, the members of which made enormous profits—about a million dollars. Investors lost as the market went down and down.

Anaconda went into a chill—another pool.

Another Anaconda absorption and pool.

The National City Co. were heavy investors. The insiders cleaned up huge profits. The stock went down from $125 a share to less than $4, and the losses of the public were computed at $160,000,000.

German bonds: Our practice is exemplified here:

First, "pegging" the market for a few weeks during the time the syndicate, composed often of bankers and brokers, loaded up the public with some issue of stocks or bonds. Here the public paid 90 to 91 in June 1930 for these bonds, and they dropped to 35½ on April 21, 1932.

Radio Corporation of America: No dividend was ever paid on the stock. More was issued. A syndicate was formed, managed by Thomas E. Bragg and Bradford Ellsworth.

The day before the pool was formed the stock had been sold at $74, March 6, 1929. The pool boosted the stock to 109¼ and made a profit of $4,924,078 in 7 days. The stock the public had bought at about par fell to $26 before the end of the year, then to 11¾ in 1930, to 5½ in 1931, and 2½ in 1932. A pool is organized to make money for those who are in it (hearings, p. 433; McKim, p. 54).

That is the statement before our committee by witnesses—experts on the subject.

One witness, David M. Lion, testified that he had furnished said publicity in about 4 years to 250 pools (p. 691). Mr. Samuel Untermyer, in 1914, stated:

For many years the pretended market prices of securities of our greatest corporation have been "rigged" and manipulated at the will of a handful of gamblers and operators, and the people of the country have been literally robbed of hundreds of millions of dollars through such transactions.

Those are some of the conditions we wish to correct by this bill.

Mr. VANDENBERG. Mr. President, will the Senator yield for a question?

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Michigan?

Mr. FLETCHER. I do.

Mr. VANDENBERG. What the Senator has said with respect to listed securities is unquestionably true. I am wondering about the effect of section 15, the so-called "over-the-counter-markets section." Do I misread that when I come to the conclusion that that would cover any security, listed or otherwise, which might be sold by any broker or dealer?

Mr. FLETCHER. I believe it is intended to cover both listed and unlisted securities.

Mr. VANDENBERG. For example, a multiplicity of minor sales of capital structures for purely local industrial institutions is a popular form of financing in my section of the country. Would a purely local financing undertaking of that character be included?

Mr. FLETCHER. I think not. The Senator will find, in that or other provisions of the bill, that such local enterprises are not included.

Mr. VANDENBERG. Has the Senator in mind the point at which that exemption occurs?

Mr. FLETCHER. I shall be glad to point it out when I get to it, in a few minutes.

Mr. VANDENBERG. The Senator does not think the bill ought to apply to that type of financing?

Mr. FLETCHER. No. The committee had that matter before it, and thought about it a good deal, and we had considerable testimony about it. The purpose was to exclude local enterprises; and if we have not expressly done so, I think we have opened the way for the promulgation of regulations by the commission to effect that result.

Mr. VANDENBERG. I am wondering if the only exemption there is not through prospective rules and regulations. So far as the textual language is concerned, I wonder if the Senator is not incorrect in his suggestion that there is an exemption, and if he is not relying upon rules and regulations for the exemption.

Mr. FLETCHER. I shall have to refer to the exact language in a minute or two. I have not yet reached that subject; but I shall be glad to take it up a little later and discuss it.

LOSSES ON STOCK POOLS

From the face of the records it is practically impossible to calculate what were the actual losses of the speculative public in any one pool, chiefly because as stocks decline some speculators might sell and take a small loss, while those who held and sold at the bottom would take a heavy loss. This is true in relation to the market whether the depressions were caused by pools or manipulations of any kind, or by a lack of public confidence.

However, the market price of stocks in the New York Stock Exchange in October 1929, as I stated in an article in the New York Times of December 31, 1933, was $97,000,000,000. The market price of the same stocks in 1932 was $14,000,000,000; so a shrinkage in market price had taken place to the extent of $83,000,000,000.

The losses are almost fantastic in some cases. For instance, Insull Utilities Investment, Inc., common, quoted in 1932 at ⅛, represented a value of 12½ cents per share; yet those shares stood at one time at $149.25—1,192 times higher, or 119,200 percent.

Another difficulty in estimating losses is that the same stock may be turned over several times in the course of a year, as indicated below:

Name of corporation	Shares outstanding	Turn-over
1930		
Radio Corporation	13,130,000	37,038,190
R.K.O.	2,377,315	18,397,908
Westinghouse Electric	2,586,000	10,592,975

Except for the personal gains made by those who manipulated pools successfully, the total effect on the whole market is very small. Contrariwise, if the pool fails, the advantageous effect for the public is almost negligible. This can be realized by considering the turnover of shares, bonds, and so forth, for the various recent years.

The statistics shown elsewhere indicate that the total number of shares on the market as represented by active securities may turn over several times in the year, the quietude of some stocks being outweighed by the very active stocks. This, therefore, meets the usual excuse that activity represents investment. The whole emphasis of all hints, tips, rumors, and the financial publications—good and bad—is on turnover, for the very excellent reason that only by turnover can brokers, either honest or dishonest, maintain their offices and all related equipment.

INSULL 6-PERCENT DEBENTURES AND COMMON

The transactions in the various Insull securities in late 1928, 1929, and onward, can hardly be described as the operations of a pool, but rather that of a syndicate. The market operations were conducted by Halsey, Stuart & Co., Continental Illinois Co., Harris, Forbes & Co., Central Illinois Co., First Union Trust & Savings Bank, Field, Glore & Co., Foreman-State Corporation, the National Republic Co., Insull, Son & Co., and Insull, Son & Co., Ltd., London office (p. 1671, pt. 5, 72d Cong.).

The Insulls agreed to market through Halsey, Stuart & Co., and associates, $60,000,000 Insull Utilities Investment, Inc., 10-year, 6-percent gold debentures, with warrants for common attached. These were issued by the corporation at 94, underwritten at 99½ with warrants, and in this operation alone the profit to the underwriters was $3,300,000.

The common stock—nonpar value—of the same corporation was made available to the stockholders of various Insull corporations at $15, and to Samuel Insull at $12. On January 18, 1929, the common stock had reached 40 on the Chicago market. By August 2, 1929, it had reached 149¼. It was testified in 1933 that it was worth "practically nothing."

In the year 1929 the high ranged from 40 to 149¼; the low from 30 to 104. Volume of business, 3,593,055 shares.

In the year 1930 the high ranged from 70½ to 41½; the low from 27½ to 67½. Volume of business, 2,994,900 shares.

In the year 1931 the high ranged from 49¾ to 11; the low from 4 to 39¾; the volume of business was 2,832,200 shares.

In the year 1932, during the first 4 months, the high ranged from 6¼ down to ¾; the low ranged from ⅛ to 3¾; the volume of business for the 4 months was 463,600 shares.

As 942,050 common shares changed hands in the month of July 1929 at 127½, and 794,480 changed hands in August at 149¼, the loss to the speculating public by contrasting the figures of 1929 and 1932 was something between $125,000,000 and $150,000,000 on the common issue alone.

Mr. LEWIS. Mr. President, if the Senator will allow me to interrupt him——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Illinois?

Mr. FLETCHER. I yield.

Mr. LEWIS. The Senator will recognize that as I am one of the Senators representing the State of Illinois, and myself live at Chicago, that being my home, I am not without some knowledge of the matters touching the Insull properties, which have been alluded to by the Senator in his recital.

I beg to inform the Senator that the morning press carries something of correspondence that has been sent to me, in which it is claimed that this bill prevents the issue and the floating of stocks in different local commercial concerns which are in no wise listed upon stock exchanges. May I ask the able chairman of the committee if such is the construction of the bill, and if there is any provision in the bill which supervises the mere issuance and sale of stock in a purely local concern at home that has naught to do with the stock market, and is not listed, merely because of the wrongs cited by him respecting the Insull properties? Such is the claim made in correspondence to me, and referred to in the press of this morning.

Mr. FLETCHER. Mr. President, I shall come to that part of the discussion in a short while.

Mr. LEWIS. Then, I shall not now disturb the Senator.

Mr. FLETCHER. The Senator's suggestion was mentioned by the Senator from Michigan [Mr. VANDENBERG]. The purpose of the committee is not to bring within the operations of the act local enterprises where the stock is handled in a community with local capital, and not distributed throughout the country, not moving in interstate commerce through the mails, and that sort of thing. We do not attempt to deal with issues of that kind at all. I shall mention that subject a little later.

Mr. LEWIS. I shall not now disturb the Senator further, since he is to allude to the subject, responding to the query of the Senator from Michigan.

Mr. FLETCHER. I shall allude to it in a short while.

The testimony of Harold Stuart was to the effect that in the state of the public mind early in 1929, 10 times as great a volume of Insull securities could have been traded in on the market as was offered; showing how the public went wild on the subject of speculation, induced and led on, in a way, by the efforts to expand the speculative spirit; and prices went to unreasonable heights. We realize that. At the same time, the public lost their money.

POOL INFORMATION RADIO CORPORATION OF AMERICA (NEW STOCK)

[Hearings, p. 467, pt. 2, 72d Cong.]

Mr. President, in connection with the flotation of this stock it is to be borne in mind that the original Radio stock had run up to a very high figure—over $500—and that this new stock was a split-up on the basis of 5 to 1, and issued with no par value.

The pool was organized March 7, 1929, and closed March 30, 1929. However, its actual operations took place between March 12 and March 19, or within a period of 1 week. Thomas E. Bragg, of W. E. Hutton & Co., was manager.

There appear to have been three leading operations.

Firm	Shares	Subparticipants	Deposits	Profits
M. J. Meehan & Co	551,500	24	$9,657,500	$3,217,570.08
W. E. Hutton & Co	257,500	35	2,730,500	1,502,310.68
Block & Maloney Co	35,000	10	285,000	204,197.56
Total	844,000	69	12,683,000	4,924,078.27

[From pp. 469–471, pt. 2, 72d Cong.]

Two million nine hundred thousand shares changed hands in the week, page 517, part 2, Seventy-second Congress.

Early in March 1929 the high on new Radio was $79. On March 16 it was $109.25. On March 23 it was $87.25. At the time of testimony, Thomas E. Bragg, on Thursday, May 19, 1932, it was stated to be quoted at $4.

As evidence of how inspired publicity followed the course of the pool, reference can be made to the hearings, page 518, part 2, Seventy-second Congress. The quotations are from the Wall Street Journal.

In the lists of participants were 16 who put up no deposits, but who received profits as follows:

T. J. Nara	$87,513.24
Mrs. M. J. Meehan	87,513.24
A. G. Fisher	29,171.09
E. F. Fisher	29,171.09
Dr. P. M. Gransman	5,834.22
T. E. Bragg, P. A. Rockefeller, B. E. Smith (joint account)	46,673.73
Walter Richards	$29,171.08
J. F. Reardon	58,342.15
Mrs. D. Sarnoff	58,342.15
Fred J. Fisher	58,342.16
Lee Olwell	5,834.22
T. Clark	5,834.22
Joe Soloman	11,668.43
H. Cunningham	58,342.16
Mrs. P. J. Maloney, Sr	40,839.51
Mrs. P. J. Maloney, Jr	40,839.51

In addition $92,000 was distributed to those who were not participants at all.

DILLON, READ & CO.—POOLS, ETC.

Exhibit C, on page 2224 of the hearings, part 4, Seventy-third Congress, covering 10 pages of tabulation, shows pools, joint accounts, syndicates, and/or trading accounts in stocks in which Dillon, Read & Co. or agencies or representatives participated and of which Dillon, Read & Co. were managers.

Some of the operations were quite small, and show 22 in which profits were made, and 22 in which losses were incurred. The stocks participated in were industrials, utilities, railroads, foreign, and miscellaneous. These tables are inconclusive as to the extent to which the public suffered from inside manipulation.

In the 44, more or less, pools formed by Dillon, Read & Co. the following appear more than once:

American Chain Co	2
General Printing Co	6
Loew's	2
National Park Bank	4
Penn Industries	2
Central States Electric Corporation	4
Commercial Investment Trust	6
International Printing Ink	5
Penn Bank Shares & Securities	2

In the Annalist, covering the stock transactions of 1933, more than one half of the corporations represented by Dillon, Read & Co. pools do not appear as showing any sales or purchases last year. With the facts available, it is not possible to state whether or not this means they have altogether disappeared from the market.

Attention is drawn to the fact that in the stocks of three pools formed by Dillon, Read & Co. there is still heavy activity, as, for instance:

Pool of 1929, Chrysler common: 1932—high 21¾, low 5; 1933—high 57⅝, low 7¾; 1933—turn-over, 12,689,450 shares.

Pools of 1928, Commercial Investment Trust common: 1932—high 27⅞, low 10⅞; 1933—high 44½, low 18; 1933—turn-over, 765,721 shares.

Pool of 1929, Electric Bond & Shares common: 1933—high 41⅝, low 9⅞; 1933—turn-over, 8,766,410.

J. P. MORGAN & CO.—DREXEL & CO.

On pages 269–287 of the hearings, part 1, Seventy-third Congress, appears a summary showing pools, joint accounts, syndicates, and/or trading accounts in stocks in which Morgan & Co. or Drexel & Co. were interested. For the most part these were joint arbitrage accounts.

Some of these operations were quite small, and there were 38 in which profits were made and 4 in which losses were incurred. The stocks participated in were industrials, utilities, mining, railroads, and miscellaneous. The summary does not show the extent to which the public lost.

Stock in which pool was formed	*Profit*
Allied Power & Light Corporation and Commonwealth & Southern	$196.93
American Superpower Corporation and United Corporation common	30,342.26
American Superpower Corporation and Commonwealth & Southern	628.79
Anaconda Copper Mining Co	56,882.53
J. I. Case Co	[1] 2,861.75
Celluloid Corporation	10,105.42
Columbia Graphophone Co., Ltd	1,442.58
Commonwealth & Southern, Commonwealth Power Corporation, Southeastern Power & Light Co., Penn-Ohio Edison Co	31,291.59
Consolidated Gas Co. of New York	19,621.77
E. I. du Pont de Nemours & Co	14,467.26
The Fleischmann Co	62,306.74
General Electric Co	30,052.31
General Electric Co., account no. 2	330.37

[1] Loss.

Stock in which pool was formed—Continued

	Profit
General Motors Corporation common	$31,209.58
General Motors Corporation	12,874.75
Guaranty Trust Co. of New York	17,972.09
International Telephone & Telegraph Co	12,026.73
International Telephone & Telegraph Co. gold bonds	149.22
Kennecott Copper Corporation	4,593.69
Montgomery Ward & Co	85,939.78
Do	5,894.50
Niagara Hudson Power Corporation	11,414.42
Packard Motor Car Co	5,626.65
Union Carbide & Carbon Corporation	2,465.63
United Corporation	36,888.97
United Gas Improvement Co	69,445.34
United Gas Improvement Co., account no. 2	65,251.89
United States Steel Corporation	170,776.78
Alleghany Corporation	64,490.07
Celanese Corporation of America	[1] 90,396.00
Do	[1] 6,256.19
Congoleum-Nairn	124,812.50
Crosley Radio Corporation	42,096.42
General Motors Corporation	3,308.00
Procter & Gamble Co	1,853,959.18
Pirelli Co. of Italy	37,729.22
Rhodesian Congo Border Concession	3,066.52
United Corporation	93,941.22
Chas. E. Hires Co	1,965.09
Old Ben Coal Corporation	1,387.51
Philadelphia Electric Co	3,953.50
Sharp & Dohme, Inc	83,941.90
Do	[1] 28,268.96
Do	6,146.66
Do	6,479.84
Total profits	3,059,375.20
Total losses	127,782.90

NATIONAL CITY BANK OF NEW YORK, CAPITAL STOCK

On January 27, 1930, Dominick & Dominick, as managers, secured an option on stock of the National City Bank of New York, with an indeterminate date for winding up. The option was as follows, as appears on page 1956 of the hearings, part 6, Seventy-second Congress: 5,000 shares at $212.50, 5,000 shares at $215, 5,000 shares at $217.50, 5,000 shares at $220, 3,000 shares at $225, 3,000 shares at $230, 3,000 shares at $235, and 3,000 shares at $240.

Details of purchases and sales appear on pages 1959 and 1960 of the hearings, part 6, Seventy-second Congress, showing that between January 29, 1930, and March 24, 1930, the profits on transactions were $354,088.10, divided as follows:

Hornblower & Weeks, 19.8 percent participation	$63,098.50
Abbott, Hoppin & Co., 1 percent participation	3,186.79
Dominick & Dominick, 10 percent managers' fee	35,408.81
Dominick & Dominick, 19.8 percent participation	63,098.50
C. D. Barney & Co., 19.8 percent participation	63,098.50
Cassatt & Co., 19.8 percent participation	63,098.50
Brown Bros. & Co., 19.8 percent participation	63,098.50

Succeeding testimony, beginning on page 1965, given by Hugh B. Baker, president of National City Co., shows that that company during 1929 sold to the public upward of 1,300,000 shares of the capital stock of the National City Bank. The testified volume of business in National City Bank stock, as appears on page 1967, was shown to be over $2,000,000,000. The testimony showed that brokers acting for the National City Co. in purchasing National City Bank stock secured credits direct from the National City Bank for the purchase, thus by implication making the bank financially interested in buying its own stock to be handed out to the public through the National City Co.

On page 2178 of the hearings, under date of October 29, 1929, it appears that the National City Co. of California notified Edgar E. Brown, of Pottsville, Pa., but then living in Beverley Hills, Calif., that they had sold on his account 200 shares of National City Bank stock at $320 flat. The public quotation of National City Bank stock on that date was $450, and on October 30, $360.

Participants were as follows:

NEW YORK PORT AUTHORITY—$66,000,000 ISSUE

National City Co., managers (pp. 2191 and 2192, pt. 6, 72d Cong.)

National City Co	$12,625,000
Chase Securities Corporation	12,625,000
Kissell, Kinnicut & Co	7,500,000
Brown Bros. & Co	5,000,000
Harris, Forbes & Co	5,000,000

[1] Loss.

NEW YORK PORT AUTHORITY—$66,000,000 ISSUE—continued

Chemical Securities Corporation	$2,500,000
Chatham Phenix Corporation	2,500,000
Eldredge & Co	2,500,000
Kountze Bros	2,000,000
Barr Bros. & Co	2,000,000
L. F. Rothschild & Co	1,000,000
Stone & Webster & Blodget	1,000,000
Geo. B. Gibbons & Co	1,000,000
First Detroit Co., Inc	1,000,000
International Manhattan Co	1,000,000
Kean, Taylor & Co	500,000
Phelps, Fenn & Co	500,000
R. H. Moulton & Co	500,000
Darby & Co	500,000
Guardian Detroit Co	500,000
Ames, Emerich & Co	500,000
H. L. Allen & Co	500,000
Hannahs, Ballin & Lee	500,000
Wallace, Sanderson & Co	500,000
Mercantile Commerce Co. of St. Louis	500,000
Schaumburg, Rebhann & Osborne	250,000
First National Co. of St. Louis	250,000
Batchelder & Co	250,000
County Trust Co	250,000
William R. Compton & Co	250,000
Stern Bros., Kansas City, Mo	250,000
Dean Witter & Co., San Francisco	250,000

Bonds were bought by the syndicate at $96.675. The bonds were bought on March 9, and the profit checks distributed April 22, but the testimony does not give the details as to the profits made. The price of these bonds today is not ascertainable from the Analyst covering 1933.

ELECTRIC AUTO LITE CO.

A minor operation took place in March 1931, affecting Electric Auto Lite Co. It was managed by M. J. Meehan & Co. on joint account of Bradford Ellsworth and Jos. B. Higgins. An option has been granted to Mr. Higgins on 25,000 shares at 70. The total shares purchased in the market was 94,000, and the total sales 92,000. A profit of $35,000 was made in the operation. There appears to have been no money put up in carrying the operation through. On March 10, the public was paying 71½, and on April 27, 1931, 49. The above statement is based upon a formal paper prepared for the use of Mr. Gray, counsel of the committee, May 18, 1932.

COPPER STOCKS

On March 19, 1929, W. E. Hutton & Co. announced by a private and confidential circular that they were forming a copper-stock trading account, to be managed by them. The pool lasted until May 24, 1929, handled 676,000 shares, and lost in general the difference between stock at 163¼ and 127¾, later dropping to 104. There had, however, been an Anaconda syndicate formed January 27 to March 25, 1929, which had traded 298,000 shares on a deposit of $2,583,826.58, the profit on which transaction was $1,225,765.54.

AIR REDUCTION

The following is a quotation of what occurred in the hearing, as appears on page 326, part 1, hearings in the Seventy-second Congress—a discussion in which Mr. Gray and Mr. Percy Rockefeller took part. The point was chiefly as to his operation in Air Reduction stock, as follows:

Senator FLETCHER. That stock went from about 214 to 55, did it not?

Mr. GRAY. Now?

Senator FLETCHER. Fifty-five now, and it was 214.

Mr. ROCKEFELLER. I think that is approximately correct. I think it is below 55 now.

Mr. GRAY. What have been the high and low quotations of that stock since your pool was organized?

Mr. ROCKEFELLER. I don't remember what the quotation was when the syndicate was arranged. I think it got up to over 200.

Mr. GRAY. What is it today?

Mr. ROCKEFELLER. About 40.

ATLANTIC GULF & WEST INDIES

According to the testimony of Richard F. Hoyt, an officer of Hayden, Stone & Co., a pool in Atlantic Gulf & West Indies stock (A.G.W.I.) was operated for 6 weeks from November 17 to December 31, 1920. It was claimed that this pool was organized to support A.G.W.I. at 102, but it was later shown that members of the firm of Hayden, Stone & Co. " were secretly unloading their stock under cover of an active campaign by their customers men, directed by Mr. Richard F, Hoyt, urging the stock as a splendid invest-

ment," according to a statement by Miss Grace Van B. Roberts, appearing on pages 1821–1826 of the hearings, part 6, Seventy-second Congress.

While the records show no complete totals as to the number of shares in this poll, or the losses the public sustained, in the testimony of Miss Roberts, on pages 1127–1144 and 1821–1826, there were several discussions in the committee, because the evidence of Miss Roberts showed that the members of Hayden, Stone & Co. were unloading their stock and yet at the same time urging customers to buy. The correspondence from Richard Whitney with various people named in the testimony defended Hayden, Stone & Co.; nevertheless, Miss Roberts secured a verdict against Hayden, Stone & Co. in court for $16,000, which Hayden, Stone & Co. paid, as appears on page 1129.

SENATOR GLASS ON POOLS, ETC.

On page 499, part 2, Seventy-second Congress, in the cross-questioning of James F. McConnachie, of M. J. Meehan & Co., Senator Glass put this question:

What difference does it make in the principle of the thing whether a syndicate loses money or makes money if it is organized to manipulate the market?

HAROLD STUART

[Hearings, p. 1674, 72d Cong.]

In connection with other testimony, when invited to make suggestions as to the betterment of conditions, Mr. Stuart said:

I will speak briefly, because I know that you have not much time and want to hear others. I think that we should adopt the English practice of not only having very complete prospectuses of all issues, but that we should write in the prospectus what the security cost, what the company got for it.

Senator COUZENS. Is that along the lines of the British Companies Act?

Mr. STUART. Yes, sir. The investor in England sees, therefore, when he buys a security just what the company got for it and how much spread there is between the price the company got and the price he is expected to pay.

STOCKS

I read from the Annalist:

The share activities in the New York Stock Exchange alone (see statistical abstract) for a series of years were as follows, in millions:

1921	173
1922	259
1923	236
1924	282
1925	454
1926	451
1927	577
1928	920
1929	1,125
1930	810
1931	577
1932	425
1933 (see Annalist)	[1] 655

The share activities in the New York Curb Exchange for the past 4 years have been as follows, in millions (see Annalist):

1930	222
1931	110
1932	57
1933	101

(There is no prompt way of reporting on total sales over the counter or out-of-town markets, or unlisted of various kinds, but the same trends may be safely counted on. The industrial and miscellaneous shares sold, for instance, on the New York Produce Exchange securities market in 1933 are estimated at about 10 million.)

BONDS

The bond activities in the New York Stock Exchange alone (see Statistical Abstract) for a series of years were as follows in millions of dollars par value:

1921	3,324
1922	4,370
1923	2,789
1924	3,804
1925	3,384
1926	2,987
1927	3,269
1928	2,904
1929	2,982

[1] The activity of some stocks is very great, yet, nevertheless, the whole number of shares turned over in any given year does not equal the total shares issued by the corporations represented in the New York Stock Exchange. (See Annalist, pp. 134–139, Jan. 19, 1934.)

The bond activities in the New York Stock Exchange alone (see Statistical Abstract) for a series of years were as follows in millions of dollars par value—Continued.

1930	2,764
1931	3,050
1932 (Annalist)	2,972
1933 (Annalist)	3,366

The bond activities in the New York Curb Exchange for the past 4 years have been as follows in millions of dollars. (See Annalist:)

1930	864
1931	983
1932	955
1933	944

ONE ALCOHOL POOL

Mr. President, the committee on Banking and Currency in April 1932 began its examination of stock-exchange practices. During our careful series of hearings from that time until now, we have produced evidence that the investing and speculating public had been the victims of much manipulation by insiders.

The demand for our research came from the stock-exchange collapse of 1929. We had hoped that the revelations of wrong done would have produced a chastened attitude in the Street or an enlightened suspiciousness among investors and caution among speculators. However, during July 1933—on July 18, to be exact—there was a feverish market, and a collapse in what were called "repeal" or "alcohol stocks", stocks which might be affected by the repeal of the eighteenth amendment. The rapid rise in prices of these so-called "alcohol stocks" and the subsequent decline, prompted your committee, through its counsel, Ferdinand Pecora, to request information from Richard Whitney, president of the New York Stock Exchange, as to trading and operations between May 13 and July 24, 1933.

On October 16, Mr. Whitney forwarded to Mr. Pecora without comment "the report made by our accounting department concerning the trading in the so-called 'alcohol stocks'" during the period I have indicated.

The report of John Dessau to the committee on business conduct of the New York Stock Exchange, dated October 1, 1933, referred to the following stocks: American Commercial Alcohol, Commercial Solvents, Libbey-Owens-Ford Glass, National Distillers Products Corporation, Owens-Illinois Glass, and United States Industrial Alcohol.

I now quote from the report:

With the exception of the situation disclosed at Lehman Bros. and Redmond & Co., which situations also are reflected in a minor way in other firms used as their brokers and the possible exception of the situation at W. E. Hutton & Co., which is still under investigation, no material situation appears.

While the limitations of time available for these examinations precluded a detailed examination and tie up of every transaction, it is my opinion that there were no material deliberate improprieties in connection with transactions in these securities. Although the repeal situation appears to have created a public interest in these stocks great enough to account for their activity, each examiner was directed to watch out for any evidence of "wash sales" or of other activities which might have stimulated improperly the activity of these stocks, yet none were reported.

Mr. Pecora had, however, very strong conviction that these alcohol stocks had been traded in for pool accounts; therefore, when our committee met on February 14, 1934, to hear opinions on the National Securities Exchange Act of 1934, Senate bill 2693, certain material in the possession of Mr. Pecora and witnesses confirmatory of the significance of that material were brought forward, because it had become evident that neither the stock exchange, the officials of certain corporations, nor the professional manipulators and specialists had learned anything from our previous hearings as to rights and wrongs in market operations.

I should like to cover all the evidence of hearings on February 14, 15, 16, 20, 21, and 22, but shall confine myself to comments on the testimony of Russell R. Brown, chairman of the board, American Commercial Alcohol Corporation, of New York City, and of those called in substantiation of his testimony. This testimony shows a repetition of all the typical deception and double dealing that brought on calamity for the gullible public in 1929. These words are severe, but their severity will be justified by direct quotations from or mention of sworn testimony of Russell R.

Brown, Ruloff E. Cutten, Frank Altschul, J. K. Whanger, Charles C. Wright, and others.

I quote from testimony given from February 14 to February 22, 1934:

Mr. PECORA. At the time of the incorporation of the company, what was its capital structure, Mr. Brown?

Mr. BROWN. Bonds, preferred stock, and common stock.

Mr. PECORA. In what proportions and amounts?

Mr. BROWN. I think approximately $4,000,000 in bonds, and $2,000,000 in preferred stock, and the balance in common stock.

Mr. PECORA. How many shares of stock was the corporation authorized to issue, and what were the classifications of stock?

Mr. BROWN. That I do not remember.

Mr. PECORA. Do you know what the capital structure of the company was at the time you became chairman of the board in April of 1931?

Mr. BROWN. There was nothing but common stock outstanding then.

Mr. PECORA. And how many shares?

Mr. BROWN. If my memory serves me correctly, 380,000 shares of no-par value, which was subsequently changed to $10 par value, and afterwards cut in half to 190,000 shares of $20 par value.

Mr. PECORA. When was the stock put on a $20 par value basis?

Mr. BROWN. I think in 1932, if I am not mistaken.

* * * * * * *

Mr. PECORA. Now, since you became chairman of the board have there been any additional issues of capital stock?

Mr. BROWN. That is correct. There have been approximately 55,000 or rather 66,000 shares issued.

Mr. PECORA. When was that issue made?

Mr. BROWN. In June or July, or at least in May, June, or July of 1933.

Senator GORE. How much?

Mr. BROWN. What was that?

The CHAIRMAN. Senator Gore wishes to know how many shares were issued.

Mr. BROWN. Approximately 66,000 shares; of which 25,000 shares were issued in exchange for other corporations, and forty-one thousand-odd shares issued for subscription by stockholders.

The CHAIRMAN. And did those shares have any par value?

Mr. BROWN. That all has a par value of $20 a share.

The further questioning of counsel was interrupted by the request of Mr. Brown to submit a formal statement in advance of any specific approach to pools, options, syndicates, and so forth. From this statement I quote portions of two paragraphs:

The plan was my own undertaking, with the intention of aiding the company in its emergency, and in this I had the support of my associates in the company. For their acts in so cooperating I wish to assume full personal responsibility. I, with their help, and through market support, protected the company and its stockholders in a grave emergency, more grave than the emergency of 1929, when, as has been said, undisclosed market support by companies was not only justified but desirable.

The method employed was unusual and abnormal. The emergency and the abnormal time and no selfish motive created the necessity, and the present excellent condition of the company is one of the best evidences of the justification of the steps that were taken.

Later in this statement it will be shown that Mr. Brown and other officials shared directly in profits from pool operations, as well as indirectly, through names which would not reveal their interest; that dummy representatives brought other corporations into existence to give an apparently broader base to the A.C.A. Corporation; and that these dummies appeared in the distribution of profits and in corporations that were declared to be in existence but never functioned.

Mr. PECORA. Now, during the year 1932, while you were chairman of the board, did you and other directors and officers of the company give any options?

Mr. BROWN. Yes.

Mr. PECORA. Covering the capital stock of the company to any individual or individuals?

Mr. BROWN. Yes.

Mr. PECORA. Did you give more than one such option during that year?

Mr. BROWN. Yes, sir.

Mr. PECORA. How many did you give?

Mr. BROWN. I cannot tell you exactly. I think the first one was given to Mr. Frank E. Bliss, and I think the next one was given to Ames Bros. The next one was given to a man named Goodwin.

Mr. PECORA. Will you talk a little louder? We cannot hear you.

Mr. BROWN. The next one was given to Goodwin, or to Prentice & Slepack.

Mr. PECORA. You will have to talk a little louder. We cannot hear you.

Mr. BROWN. And finally a series of options was given to Mr. Ruloff Cutten.

Mr. PECORA. What was the business of these optionees whose names you have given to us?

Mr. BROWN. Well, they were connected with the stock exchange or——

Mr. PECORA (interposing). Do you mean the New York Stock Exchange?

Mr. BROWN. Either with the exchange, or they worked down in the Street there; yes, sir.

Mr. PECORA. That is——

Mr. BROWN (continuing). All of them were connected with the exchange, I believe.

Mr. PECORA. As members?

Mr. BROWN. I think so.

Thereupon photostatic and other material evidence was introduced as to the options.

1. Russell R. Brown to Frank E. Bliss, February 15, 1932, for voting trust certificates, option to run 30 days: 1,500 shares at 7 per share, 1,500 shares at 8 per share, $1,500 shares at 9 per share, 1,500 shares at 9½ per share, 1,500 shares at 10 per share, 1,500 shares at 11 per share.

2. Philip Publicker to Frank E. Bliss, February 15, 1932, for voting trust certificates, option to run 30 days: 1,000 shares at 7 per share, 1,000 shares at 8 per share, 1,000 shares at 9 per share, 1,000 shares at 9½ per share, 1,000 shares at 10 per share, 1,000 shares at 11 per share.

(Philip Publicker was a director of the A.C.A. on this date.)

3. William S. Kies to Frank E. Bliss, February 15, 1932: 1,000 shares at 7 per share, 1,000 shares at 8 per share, 1,000 shares at 9 per share, 1,000 shares at 9½ per share, 1,000 shares at 10 per share, 1,000 shares at 11 per share.

(William S. Kies was a director as well as chairman of the executive committee of the A.C.A. on this date.)

4. Richard H. Grimm to Frank E. Bliss, February 15, 1932, for voting trust certificates, option to run 30 days; 1,500 shares at 7 per share, 1,500 shares at 8 per share, 1,500 shares at 9 per share, 1,500 shares at 9½ per share, 1,500 shares at 10 per share, 1,500 shares at 11 per share.

(Richard H. Grimm was president of the A.C.A. on this date.)

Mr. PECORA. How many shares were listed at that time on the New York Stock Exchange?

Mr. BROWN. I should say approximately 380,000 shares.

Mr. PECORA. Three hundred and eighty thousand.

Mr. BROWN. Yes.

Senator TOWNSEND. What was the amount of the options given?

Mr. PECORA. There was a total of 30,000 shares covered by these four options.

The testimony shows that these shares were personally owned by Brown, Publicker, Kies, and Grimm.

At this time the stock was selling for between 6¾ and 8. The testimony of Mr. Brown was that he did not expect Mr. Bliss to sell the stocks, but only to sponsor them, and to serve in "stabilizing the price."

Mr. BROWN. If I remember that particular option, when the option expired, much to my surprise, Mr. Bliss called the entire quantity, all of it. Also, if my memory serves me correctly, I immediately replaced all the stock that had been called by purchase in the open market.

Senator BARKLEY. You mean he called all the 9,000?

Mr. BROWN. Yes.

Senator BARKLEY. At less than 11?

Mr. BROWN. I called him one day and told him that we did not want to renew the option.

Senator TOWNSEND. When did the option expire?

Mr. BROWN. I have forgotten.

Mr. PECORA. It was a 30-day option.

Senator GORE. Give us the history of what transpired.

Mr. BROWN. When the option expired—I do not know the range of the stock during the time the option was out, but if my memory serves me correctly, when I called Mr. Bliss and told him that we did not desire to renew the option, he called all the stock. He apparently had disposed of the whole business, and that was very much of a surprise to me, and I immediately went in the market and replaced it.

Senator STEIWER. At what price?

Mr. BROWN. A price above this—around 11 or 12.

Senator BARKLEY. He called this stock, then, in violation of your agreement with him?

Mr. BROWN. He had the option.

Senator BARKLEY. But the private understanding was that it was not to be called.

Mr. BROWN. I told him what our desires were.

* * * * * * *

Mr. BROWN. No. In all fairness to Mr. Bliss, I would say that I told him, at the time the options were given, that we did not want any of the stock called. He made no commitment on his part.

Mr. PECORA. Did the same thing happen with regard to the other three option agreements, those given by Mr. Kies, Mr. Publicker, and Mr. Grimm, respectively?

Mr. BROWN. I think they were all called.

Mr. PECORA. All 30,000 shares?

Mr. BROWN. I think so, and I think they were all replaced.

Mr. PECORA. During the period of these options was the purpose that you had in mind of stabilizing the market well served?

Mr. BROWN. Yes; except that it cost me money.

Testimony was then given as to other options, as follows:

June 11, 1932, to Prentice & Slepack, 29 days' option: 2,000 at 12½, 2,000 at 13½, 2,000 at 14½.

Option given by Russell R. Brown July 11, 1932, to Prentice & Sleback, 32 days' option: 1,000 at 12½, 2,000 at 13½, 2,000 at 14½.

Option given by Brown & Grimm July 22, 1932 to Prentice & Slepack, 21 days' option: 1,000 at 13½, 1,000 at 14½.

Mr. PECORA. What was the purpose that you and Mr. Grimm had in granting these three options to Prentice & Slepack?

Mr. BROWN. I don't remember.

Mr. PECORA. What is that?

Mr. BROWN. I don't remember.

Mr. PECORA. Well, now, isn't it rather singular that you recalled with some clarity the reason——

Mr. BROWN (interposing). Well, I assume——

Mr. PECORA (continuing). Why you and Mr. Grimm and Mr. Kies and Mr. Publicker gave the options in February 1932 to Mr. Bliss, and do not recall the reason why you gave these options in June and July 1932 to Prentice & Slepack?

Mr. BROWN. No. I assume it is for the same purpose.

Mr. PECORA. The same purpose for which the options were given in February 1932 to Bliss?

* * * * * * *

Senator GORE. Mr. Brown, you say the purpose of all these options was to stabilize the market?

Mr. BROWN. Yes; that was supposed to be it.

Senator GORE. The only way you could do that would be to buy when the stock was too low and sell when the stock was too high, wouldn't it?

Mr. BROWN. I suppose they did that; I didn't do it.

Senator GORE. Was that what you had in mind?

Mr. BROWN. However, they operate in the market. I assume that that would be it.

Senator GORE. It was your idea that they would sell when the price ran up too high?

Mr. BROWN. That is correct. Yes, Senator.

Senator GORE. Now, of course, I don't understand much about this market business——

Mr. BROWN. Neither do I.

Senator GORE. But it seems to me that the only way they could profit by these actions would be by some means to raise the price in the market higher than the price you would stipulate in these options, and then call the options at that higher price.

Mr. BROWN. I don't know.

The next option discussed was as follows:

August 9, 1932, to Stephen M. Ames, 30-day option: 10 lots of 1,000 shares each progressing from $16.50 to $21 in half-dollar rises. Option given by Russell Brown.

Mr. PECORA. And on whose initiative was this option given to Mr. Ames?

Mr. BROWN. On my own initiative.

Mr. PECORA. On yours? And what were your purposes in giving him this option?

Mr. BROWN. Same idea that prevailed before.

Mr. PECORA. That is, to stablize the market?

Mr. BROWN. Yes, sir; if I remember correctly.

Mr. PECORA. Was the market then in need of stabilization?

Mr. BROWN. We thought so.

Mr. PECORA. Had there been any violent movements in the quotations?

Mr. BROWN. Not that I remember.

Mr. PECORA. It had been pretty orderly from February 1932 when you gave the first of these options to Mr. Bliss, had it not?

Mr. BROWN. Well, I mean I really don't remember.

Mr. PECORA. Was not the stock steadily increasing in value on the exchange from February 1932 after you gave the first of these options?

Mr. BROWN. Might have been; yes, sir.

Mr. PECORA. Was there any apparent need at the time you gave this option to Mr. Ames of any stabilization of the market?

Mr. BROWN. Well, we felt so.

Mr. PECORA. Who felt so?

Mr. BROWN. I felt so, with my associates.

Mr. PECORA. What were the evidences showing the existence of that need at this time, in August 1932?

Mr. BROWN. Well, I just don't remember.

Mr. PECORA. As a matter of fact, the market had been steadily going up, hadn't it?

Mr. BROWN. Well, apparently, from the prices at which these options were given.

Mr. PECORA. Can you recall any circumstance that suggested to you a need for stabilization which was effected through the medium of this option to Ames?

Mr. BROWN. No, sir.

These options, with perhaps one exception, all contained a clause agreeing to hold a certain number of shares available for borrowing by the optionee.

Mr. PECORA. Now, I notice that in the options to Mr. Bliss there are provisions corresponding to these that I have specifically called to your attention from the options to Ames and to Prentice & Slepack, respectively.

Mr. BROWN. Yes, sir.

Mr. PECORA. In other words, the Bliss options contain a clause which I will read to you from the option you personally gave Bliss: "The party of the first part"—meaning yourself—" agrees to loan to the party of the second part at any time during the option period all or any part of such 6,000 certificates then remaining unsold under this option, such loans to be made according to the usual Street custom", and so forth.

You observe that?

Mr. BROWN. Yes, sir.

Mr. PECORA. So that in all of these options, beginning with those given to Bliss in February 1932, the discussion between you and the optionees, respectively, contemplated short selling too. Is that right?

Mr. BROWN. On their part; yes, sir.

Mr. PECORA. On their part, and that was part of the scheme to stabilize the market, was it?

Mr. BROWN. I assume so.

Mr. PECORA. Was it?

Mr. BROWN. Yes, sir.

The hearings then took up options given to Ruloff E. Cutten by Russell R. Brown, as follows:

September 12, 1932, to Ruloff E. Cutten, 90-day option: 2,500 at 22, 2,500 at 23, 5,000 at 24, 5,000 at 25, 5,000 at 25.

September 11, 1932, to Ruloff E. Cutten, 90-day option: 2,500 at 27, 2,500 at 28, 2,500 at 29, 2,500 at 30.

December 12, 1932, to Ruloff E. Cutten, 90-day option: 2,500 at 20, 2,500 at 21, 2,500 at 22, 2,500 at 23, 5,000 at 24, 5,000 at 25, 5,000 at 26.

March 12, 1933, to Ruloff E. Cutten, 60-day option: 2,000 at 16, 2,000 at 17, 2,000 at 18, 2,000 at 19, 2,000 at 20.

Each of these Cutten options contained two illuminating paragraphs, one providing for the use of an equal number of shares for borrowing purposes, and the other—

The party of the first part will be entitled to receive 25 percent of the net profits of such account and will not be required to participate in the losses of such account.

Now, Mr. Brown, did you have any associates in the granting of these four options to Mr. Cutten?

Mr. BROWN. Yes; Mr. Grimm, Mr. Publicker, and Mr. Kies.

Mr. PECORA. Then why didn't they sign the agreements, or why aren't they even set up as parties to the agreements?

Mr BROWN. Well, as to that I cannot explain it, except that it was the practice for me to sign the various options, is all.

Mr. PECORA. Well, the practice originally was for each optioner to execute a separate agreement in his name.

Mr. BROWN. Yes, sir.

Mr. PECORA. That was the practice followed in the case of the four options given to Mr. Bliss?

Mr. BROWN. Yes; that is correct.

Mr. PECORA. Who drew up these agreements with Mr. Cutten?

Mr. BROWN. I think I did.

Mr. PECORA. Was it your contemplation at the time you gave Mr. Cutten these options that he would call upon you for the stock covered by the options?

Mr. BROWN. No.

* * * * * * *

Mr. PECORA. Now, the period of time covered by the four Cutten option agreements terminated on May 12, 1933.

Mr. BROWN. That is correct.

Mr. PECORA. You and those same associates of yours had commenced to give options to stock-exchange members as far back as February of 1932, a period of a year and a quarter.

Mr. BROWN. That is correct.

Mr. PECORA. During that time was any announcement made to the stockholders of your company as to you and your fellow officers and directors giving these options?

Mr. BROWN. No.

Mr. PECORA. Do you know who the other participants were in the trading account that was provided to be maintained by Cutten under these four option agreements?

Mr. BROWN. No, sir.

Mr. PECORA. Did you ever learn who they were?

Mr. BROWN. No, sir.

Mr. PECORA. Well, would it surprise you to know that they were as follows:

Mrs. Augusta Edgerton, who, I understand, is the wife of a partner of the brokerage firm of Melady & Co.

Mitchell Hutchins & Co., Chicago brokers.

Adrienne Ames, who was the wife of Stephen E. Ames, the broker to whom you had given the preceding option.

First Chrold Corporation, which, I understand, is a trading company in the office of E. F. Hutton & Co.

Cutten & Co., Ltd., which we have heard of before in the hearings before this committee, as a Canadian company organized for the benefit of some of the brothers or sisters or relatives of Mr. Arthur Cutten, who is a cousin of Ruloff Cutten.

Now, did you know that before?

Mr. BROWN. No, sir.

Mr. PECORA. Well, in view of the fact that you and your associates had, among the four of you, a 25-percent interest in this trading account, weren't you interested in knowing who the other participants were in that trading account?

Mr. BROWN. I never realized that there were other people in it. I assumed that Mr. Cutten was taking that.

Mr. PECORA. Well, were there profits received by you and your brother officers and directors of the company, from your participation in this trading account?

Mr. BROWN. Yes, sir.

Mr. PECORA. And you received them after the 12th day of May 1933, I presume?

Mr. BROWN. Yes, sir.

* * * * * * *

Mr. PECORA. Subsequent to the giving of these four options to Mr. Cutten, did you give any options on the stock of your company to anyone else?

Mr. BROWN. On the 2d day of May I gave an option to Thomas E. Bragg.

This option was for 90 days and was based on 25,000 shares at $18 per share, with shares held available for borrowing up to the total unsold on any one day during the option period. The option also contained this provision:

4. It is understood that this option is to be assigned to a syndicate to be formed by the party of the second part.

The option was increased to 40,949 shares at $20 on May 31. The syndicate manager, T. E. Bragg, was to receive $1 a share for his services.

Mr. PECORA. Now, Mr. Brown, do I understand you to say to this committee that the option given to Bragg on May 2, 1933, is in some way directly related to the necessity which became apparent to the officers of the company in March of 1933, that it would have to raise additional working capital?

Mr. BROWN. That is correct, sir.

Mr. PECORA. All right, for that. Now, in view of the fact that this option is not given by the corporation, and does not provide for the corporation receiving any part of the purchase price which the optionee would be required to pay for the 25,000 shares optioned to him at $18 per share, how did this option serve to provide your company with that increased or additional working capital?

The subsequent statements of Mr. Brown regarding these Bragg options was that they were designed to bring financial strength to the corporation. To do this he and his associates had set up two subsidiary corporations, as follows: Maister Laboratories Co., $180,000; Noxon, Inc., $270,000.

Mr. Brown accepted an unsecured note from K. B. Phagan for $180,000 and transferred to him 10,000 shares of A.C.A. stock as giving financial backing for Maister Laboratories Co. by thus purchasing its stock. Phagan was acting solely as a "dummy." Mr. Brown accepted an unsecured note from C. C. Capdevielle for $270,000 and transferred to him 15,000 shares of A.C.A. stock as giving a financial backing to Noxon, Inc., by thus purchasing its stock. Capdevielle was acting solely as a dummy. Here it is appropriate to quote direct from the testimony.

Mr. BROWN. The procedure, Senator, that was followed in this Noxon case was that Capdevielle's note was in for $270,000, and there were certain other arrangements with Noxon, Inc., and as a result of that Capdevielle acquired certain securities of Noxon, Inc., which he in turn made a deal with us which had been orally and verbally accepted in the early part of May 1933 for 15,000 shares of the company's stock, which was delivered under this option at $18 a share, and he received the cash; then, having liquidated American Commercial Alcohol stock, proceeded to liquidate his note for $270,000.

That, then, brought under the control of the American Commercial Alcohol Corporation the $180,000 in the Maister organization, $270,000 in the Noxon organization, and there is your total of $450,000, funds which were used to improve the financial situation of the consolidated organization.

* * * * * * *

Mr. PECORA. Maister came in 100 percent controlled and owned; Noxon came in 65 percent controlled. Immediately funds were borrowed from both of those corporations by the American Commercial Alcohol Corporation, and payments were immediately made.

Mr. PECORA. Funds were borrowed from both of them, you say?

Mr. BROWN. Yes.

Mr. PECORA. By American Commercial Alcohol Corporation?

Mr. BROWN. Yes.

Mr. PECORA. Both of those corporations merely had promissory notes.

Mr. BROWN. As I indicated to you during my replies, these shares of stock which were received by Capdevielle and by Phagan were immediately put out by them at $18 a share. They were then in possession of funds with which they liquidated their notes.

Mr. PECORA. To whom did they put out capital stock of the American Commercial Alcohol Corporation?

Mr. BROWN. They either put it directly to Bragg or listed it for Mr. Grimm and me.

Mr. PECORA. Which did they do?

Mr. BROWN. Half and half, I should say.

Mr. PECORA. In other words, they made deliveries under this option to Bragg, the option which you gave to Bragg on May 2, 1933?

Now let us move over to stock-exchange practices as covering such an indirect method of raising money from the investing public. The application for listing was made in the usual form or forms, covering in two applications a total of 25,000 shares, to be utilized in acquiring dummy corporations, and in offering forty-one-thousand-two-hundred-and-ninety-three-odd shares to be offered to stockholders of the A.C.A. at the ratio of 1 to 5 already held, to be paid for in cash at $20.

Incidental to these applications the testimony of Frank Altschul, chairman of the committee on stock lists, New York Stock Exchange, shows that the application for listings was granted, though there were later shown to be questionable over-valuations in connection with Noxon, Inc., particularly, involving in a few days an increase in "good will, and so forth" from $80,000 to $380,000.

Finally, when Mr. Altschul was questioned very closely as to stock-exchange procedures, he stated that, after all, the investing public was not fully protected by stock-exchange listing, in the following words:

Mr. ALTSCHUL. * * * I tell you in that case we were deceived. I have here, in case it is of interest to you, a rather lengthy document, which I do not think would be of very much interest, showing you the general tightening up in our procedure from 1926 to 1933. It is constantly in process of development, on the basis of experience. I do not know of any experience in any field that is going to forearm you against every new kind of deceit. With the enormous number of applications acted upon when they are put on the floor, the cases of deceit are rather few, and we try to improve our procedure every time something new comes to our attention, but the trouble about those things is that there is always somebody who is smart enough to try something new, and if he tries something new that has never been tried before, even with the most rigid requirements in the world, he may find some way of fooling you. Whenever that happens, we try to profit by it. I think Mr. Whitney's statement that our requirements go far beyond those of any other market place in the world is unquestionably so.

* * * * * * *

Mr. ALTSCHUL. My recollection is that this application—that in the first instance the committee on stock list received from the executive secretary of the committee a report covering this application; that then later, in the usual manner, they received the application on a Friday afternoon, having an opportunity to go over it before the committee on Monday morning.

The usual procedure was followed in this case: The members went over the application. They saw the different things that were set forth in the application and were prepared to act on it at the meeting on Monday.

In the case of an application of this sort, which is for an additional listing of stock, the questions that are asked by the committee of the executive secretary, who has all of the documents in charge, are to determine whether all of the papers have been placed on file, whether the opinion of counsel is in order, whether the documents that have been filed with us substantiate the printed material that is in the listing application.

Having found nothing in the application that disturbed us in any way, the application was thereupon acted on.

Mr. PECORA. You have through the medium of the testimony given by Mr. Brown today and that you have heard, learned, or acquired knowledge of many facts which you did not heretofore possess with regard to this application, have you not?

Mr. ALTSCHUL. Yes, sir.

Mr. PECORA. Now, if that information and that knowledge of those facts that you gained through hearing Mr. Brown's testimony here today had been before your committee, had been in the possession of your committee or had been acquired by your committee prior to its acting upon the application, do you think your committee would have granted the application?

Mr. ALTSCHUL. If the information, as we understand the information that has been developed here today, sir, had been before us, it would have appeared that this stock was being issued for the purpose of supplying the company with working capital, not for the purpose of acquiring properties. Under those circumstances the question of the preemptive right of stockholders would have been immediately before us and the application would have probably been turned down on that ground, if upon no other.

Now we will turn back to the Bragg options and the syndicate contributions:

Russell R. Brown	$10,000
Rich H. Grimm	10,000
K. B. Phagan	5,000
William S. Kies	10,000
—. —. Chadbourne	5,000
C. C. Capdevielle	1,000
H. S. Brown	2,000
M. M. Ewing (secretary to B. B. Brown)	1,000

W. J. Butter	$1,000
Philip Publicker	5,000
Carl C. Conway	12,500
L. C. Young	12,500
John Bowen	12,500
Thomas Bragg	12,500

According to later testimony the subscriptions to the second Bragg options show only Bragg, Phagan, and Capdevielle putting up a total of $339,103; but in these figures were concealed interest of the various officers of the A.C.A.

Mr. PECORA. What benefits did you think your corporation would get under this underwriting agreement?

Mr. BROWN. I thought that the company would be placed in a splendid financial position, and my judgment in that connection I think is evidenced by the situation in which the company finds itself today.

Mr. PECORA. What benefits did you think would accrue to your corporation, not from the issuance of these forty-thousand-odd shares to its stockholders at a price substantially below the market, but from this underwriting agreement under which your corporation obligated itself to pay a commission of 5 percent?

Mr. BROWN. I thought that I was assisting in assuring the company of the success of the underwriting.

Out of this transaction one J. K. Whanger, an accountant, was led to testify that he had received $65,827.29 and definitely $25,000 out of "the alcohol thing" without any investment on his part.

Pool profits were distributed to various people as follows, but the actual recipients of profits were artfully concealed:

JULY 31, 1933.

W. E. HUTTON & Co.,
New York City.

GENTLEMEN: Kindly let me have checks drawn to the following names and for the following amounts, and charge account no. 296.

K. B. Phagan	$50,323.47
J. C. Brennen	10,064.69
J. L. Kauffman	20,129.39
C. C. Capdevielle	20,129.39
L. Young	25,161.74
C. C. Conway	25,161.74

Yours very truly,

(Signed) B. E. SMITH.

The third letter, marked "Exhibit No. 30", is as follows [reading]:

AUGUST 3, 1933.

W. E. HUTTON & Co.,
52 Wall Street, New York City.

GENTLEMEN: Kindly have the bank stop payment on check issued on July 31 to the order of L. Young for $25,161.74, and charged to account no. 296.

After you have been notified by the bank that payment has been stopped on the above, you will then draw a check to the order of L. B. Manning for $25,161.74 and charge account no. 296.

Yours very truly,

(Signed) B. E. SMITH.

Now for the specialist in this stock. His name was Charles C. Wright, of Wright & Seaton.

Mr. WRIGHT. I will swear to you, Mr. Pecora, that I could not answer what a pool account is.

Mr. PECORA. Well, you have often heard the term, have you not?

Mr. WRIGHT. I have often heard it, and have tried to define it, but I cannot answer the question. There are some pools that are put together for the apparent purpose of buying, and for the apparent purpose of selling, and some for distributing stocks, and for the purpose of making a market in stocks, and some for this purpose, that purpose, and the other purpose. I just have no way of defining the term.

Mr. PECORA. Well, let us take a pool organized for the purpose of making a market in a stock. You have been a participant in such pools in the past, I take it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. How do such pools operate? Will you tell the committee, from your familiarity with the activities of such a pool account, how it is operated?

Mr. WRIGHT. Some pool accounts operate on options—that is, some by way of direct purchase of stock and redistribute it—and others may be accumulation pools, where they accumulate stocks that somebody desires. Each one is in a different group.

Mr. PECORA. Well, let us take a pool account organized for the purpose of making a market in a stock.

Mr. WRIGHT. All right.

Mr. PECORA. In which an account is organized to trade in the stock.

Mr. WRIGHT. All right.

Mr. PECORA. How does such a pool actually operate in the market? How does it make a market?

Mr. WRIGHT. By creating activity.

Mr. PECORA. And how does it do that?

Mr. WRIGHT. By trading in the stock.

Mr. PECORA. That is, the pool buys and sells the stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. For its own account?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And frequently, if not invariably, such a pool has an option covering the stock in which it trades?

Mr. WRIGHT. That is right.

Mr. PECORA. And it gets that option as a rule from what kind of persons?

Mr. WRIGHT. Sometimes from individuals, and sometimes from officers of the company, and sometimes from large stockholders, and sometimes from the corporation which might hold a good block of stock and which wanted to get rid of it.

Mr. PECORA. And as a rule what is the object sought to be accomplished by those persons who organize a pool account in order to make a market in the stock?

Mr. WRIGHT. Will you put that question again, please?

Mr. PECORA. The committee reporter will read it to you.

(Thereupon the committee reporter read the last question.)

Mr. WRIGHT. To redistribute the stock at a higher price if possible.

Mr. PECORA. That is, to raise the price level of the stock as much as possible?

Mr. WRIGHT. Yes, sir.

* * * * * * *

Mr. Wright made from A.C.A. trades between May and July 1933, $138,000, besides brokerage fees of something in the neighborhood of $2.50 for each 100 shares sold. The total trading in the stock on the New York Stock Exchange between May 15 and July 22 was 1,145,100, of which Mr. Wright handled about one fifth, carrying out instructions to buy and sell, as well as buying and selling for his own account.

Mr. PECORA. Now, Mr. Wright, by such processes or activities on behalf of pool accounts, especially where trading for such pool accounts is done by brokers who are also members of the pool or participants in it, isn't it a fact that the public gets a false notion of the activity in the stock?

Mr. WRIGHT. I would have to think for a second before I try to answer that question.

Mr. PECORA. Surely. You may do that.

Mr. WRIGHT (after a pause of a few moments). Do you want me to talk freely and frankly on this?

Mr. PECORA. Yes; very frankly indeed.

Mr. WRIGHT. Because the public will not trade in stocks that are not active. Naturally when you make a stock active the public will trade in that stock. And many times you are successful and many times you are unsuccessful in such an effort in any particular stock; and if you are running a pool and they do not trade in the stock, that is your hard luck.

Mr. PECORA. Then, activities engendered by pools that are organized to distribute stocks that they hold under option, or which they have already accumulated, at prices which would represent profits to themselves, are activities designed primarily to induce the public to come in and buy, so that distribution may be effected at higher levels?

Mr. WRIGHT. Yes, sir; which is just the same as distributing groceries or any other commodities.

Senator ADAMS. In other words, it is just like anybody going fishing; he wants to fish where the other fellows are.

Mr. WRIGHT. Yes, sir. In many cases, Mr. Pecora, prices of stocks go far beyond what anybody had in mind. I think the history of almost every stock down town is that some days it goes far beyond any dream that anybody had.

Summing up this statement to get a general conclusion on just one stock, we find a stock very inactive, because closely held, raised from $6 plus in February 1932 to $89⅞ on July 18, 1933, then dropping to around $30, and at the time of the hearing selling at about $40. My comments on it do not touch on whether it is valuable and with ample background of business activity, but that various dummy processes and the work of options, syndicates, pools, and so forth, created a false sense of activity that led the public to invest.

Furthermore, it deliberately deceived the New York Stock Exchange on two occasions; on both occasions the New York Stock Exchange according to the statement of Mr. Altschul, did not show alertness as to any deception used to secure the valuable listing privilege of the Stock Exchange.

Consequently it is reasonably clear that no one should speculate in any stocks unless he can afford to lose either in buying or selling; that an investor should always investigate; and that if he cannot do that, he should stay away from any buying, as he is almost helplessly on the outside, subject to suggestions that reach him, not to strengthen his position, but just to make him inclined to buy.

Finally the repeated arguments during our 2 years' hearings that short selling and margin buying are paralleled by

any orderly purchase of material goods is not sound, since a stock transaction, for speculation, at least, is a transaction in an intangible thing, fluctuating up and down in price simply by the vagaries of warring minds, and not at all related to intrinsic values.

Mr. President, it will be remembered that the stock exchange claimed the right to make its own rules and regulations, and insisted that it could prevent abuses and correct errors and was willing to attempt it, and it claimed it had been doing so.

There have been some amendments to the rules and regulations. The officials gave us some assurance that they intended to continue to work out certain reforms and make certain revisions of their rules and regulations which would effect the correction of the abuses to which I have referred.

We appealed to them to do that. We hoped they would inaugurate rules and regulations and establish practices which would overcome what Mr. Whitney so clearly stated existed in connection with the stock exchanges, practices which needed to be reformed. They promised to do that, and they did adopt some amendments to their rules which I think were helpful. But evidently—and I believe this is their own view—they are powerless to accomplish all that should be accomplished. In the first place, they have no jurisdiction except over their own members. They have no jurisdiction over outside people issuing securities. In the next place, they have not the power or authority to accomplish what they would like to see accomplished. There is, therefore, need for some regulatory body with ample power to supervise these conditions.

Mr. President, this is shown by the experience, after they had assured us they were amending their rules and were working out reforms, in July and August of last year, in connection with the stocks to which I have referred, showing that these abuses, the formation of pools, the operations of the specialists, and all that sort of thing, were taking place as late as last summer, proving, I think, that the country cannot depend upon the stock exchange to bring about the reforms and the corrections which they themselves admit are necessary in order to correct vicious and unwise practices.

There are some people, of course, who say that the gambling propensity exists in nearly all men, and women as well, and that law should not interfere with its indulgence; in other words, that we cannot prevent people from gambling on the stock exchanges or anywhere else. To a large extent that is true. We cannot by law protect a fool against his folly. We cannot by law do away with gambling propensities. But we can take away the facilities and the attractions and the inducements to people to invest their money in speculative securities and really gamble. We can minimize that sort of thing.

The argument that people must gamble, that they have that impulse which they cannot control, and will gamble, simply leads to a reductio ad absurdum. If it is carried to its full extent, it means that we ought to repeal all laws against gambling in all the States; we ought to establish a lottery in the United States and let people gamble by means of a national lottery, because it is much less harmful than gambling on the stock exchange.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield.

Mr. McKELLAR. I was called out today just as the Senator reached the portion of his speech in which he was discussing the question of an independent commission or the Federal Trade Commission as an enforcer of the act. Is it not true that the Federal Trade Commission already has a set-up of experts, and has it not had quite an experience in the handling of other securities, and does not the Senator believe that we would really get a more efficient enforcement of the proposed act by having it administered by the Federal Trade Commission?

Mr. FLETCHER. Mr. President, as I stated while the Senator from Tennessee was out of the Chamber, my personal view was expressed in the terms of the original bill, S. 2693, whereby the administration of the act was reposed in the Federal Trade Commission. I think that Commission has done splendidly in administering the Securities Act. It is a Commission in which I have the fullest confidence, and I have nothing but praise and commendation for what it has already accomplished.

Mr. McKELLAR. I feel the same way about it. I think it has done a wonderful work.

Mr. FLETCHER. But in view of many objections raised to the Federal Trade Commission administering this proposed act on the ground, as was claimed, that its members were not bankers or financiers or acquainted with the handling of securities and that sort of thing, and that those charged with its administration ought to be specially qualified men, acquainted with such transactions and experienced in stock-exchange matters to a large extent, the prevailing sentiment seemed to be that there ought to be a special commission. That was the claim, and that was the demand—that there should be a commission. Partially, I think, in response to that, but in part independent thereof, there was a large sentiment in our committee in favor of a special commission.

To my mind it does not make very much difference one way or the other. If we shall have a special commission of five, appointed by the President and confirmed by the Senate, I think we will get a very efficient and capable body to administer this act; so we provided for such a commission.

Mr. McKELLAR. Mr. President, I have very great doubt about the appointment of experts in that line of business, because I am fearful that their enforcement of the act would not be so good as that of disinterested men, such as the members of the Federal Trade Commission. The House in its bill provided for the Federal Trade Commission as the enforcer of the act, and it seems to me that is a very wise provision to have contained in the bill. I have the greatest confidence in the honesty, the sincerity, and the ability of the Federal Trade Commission. I think it is a wonderful piece of machinery. It has done splendid work. In my judgment, this measure would be better enforced and more equitably enforced, if I may use that expression, in the hands of the Federal Trade Commission than if the enforcement were given over to a new commission. I have very great doubt about a new commission.

Mr. FLETCHER. I am not disposed to disagree with the Senator about that. At the same time, a special commission seems to satisfy the demand and meet the approval of most people—at least, some of the critics of the original idea—and I think a special commission named by the President and approved by the Senate undoubtedly would give entire satisfaction.

Mr. McKELLAR. What was the vote of the Senate committee on this subject?

Mr. FLETCHER. My recollection is that there was a vote of about 2 majority in favor of the special commission. I think the vote was 10 to 8.

I believe the special commission provided for in this bill would give satisfaction to the country and meet some objections; so, accordingly, I have offered an amendment which provides for the transfer of the administration of the Securities Act to the same commission.

Mr. LEWIS. Does the Senator mean to the Federal Trade Commission?

Mr. FLETCHER. No; to the special commission of five.

It is claimed and it has been argued that this proposed legislation would interfere with business. Business is based on confidence. Credit is the result of confidence. Let us insure confidence by giving securities an acknowledged status and recognition by requiring them to be registered and requiring exchanges where they are dealt in to be registered by a responsible agency. Inevitably that will help business, reassure capital, and increase investments.

It is claimed that pools or trading accounts are formed to stabilize prices and maintain a steady market. This is not what the broker wants. He wishes a gyrating market, because he makes commissions on its active movement up or down. Stabilization is the last thing he wants. He is after making money.

The Securities Act has saved millions of dollars to the people—the public.

This act will save billions of dollars—that is, prevent the loss of billions of dollars. Those whose money will thus be saved are some of the people for whom we are speaking.

It is testified that one out of six may win in stock speculation. These people I should like to serve.

It is said that 93 percent of the odd-lot traders lose.

It has been said this bill will put people out of business; will adversely affect business. What business?

There can be no interference with securities exempted from this bill. What are they? See paragraph 12, page 6, of the bill.

Uncontrolled and arbitrary management of security issues, security markets, speculative pitfalls for the unwary investor, selfish and individual management of large corporations affected with a public interest must come to an end.

The principle of trusteeship in all affairs so affected with the public interest must be made dominant and effective.

Mr. LEWIS. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield.

Mr. LEWIS. At this point I should like to ask the able Chairman of the Senate Banking and Currency Committee if he is not aware of the fact that England has had for a very long time a form of legislation carrying many provisions similar to those of the present bill and which have been recognized as working a most corrective benefit to and aiding the general welfare of the stock exchanges and the stock holdings in England? I should like to hear a little from the Senator on that subject.

Mr. FLETCHER. Undoubtedly what the Senator says is true. The British companies act has been in effect for many years and is giving great satisfaction. Its provisions have been construed by the courts and form quite a body of precedent for our guidance. The British companies act is largely followed in this bill.

There is one thing I will mention. Under the practice on the London Exchange, there are no margin accounts. The allowance of margins and margin trading in this country has led to a great many abuses and to excessive speculation. That is not permitted in England. When a person is permitted to put up a few dollars on margin to buy stocks and take chances of winning or losing, he is tempted to do so. Margin operation, in my judgment, is responsible for the ruin of thousands and thousands of people.

Judge Clark, of New Jersey, who testified before us, advocated doing away entirely with margins. From his long experience he mentioned the fact that the penitentiaries are crowded with men who have been found guilty of embezzlement and other offenses, all by reason of their operations on the stock exchanges. Not only that, but men have lost their business, lost their property, lost their reputation and their good name by the hundred thousand in this country because they have been tempted to speculate on margin on the stock exchange.

I want to warn the people who have flooded this country with propaganda against this bill and against legislation of this kind, misrepresenting the alleged loss to business, the alleged harmful effect of this proposed legislation on business, the number of people who are going to lose their business, and all that sort of thing, that they will not be able to stem the tide of public opinion demanding this legislation in our country.

It has got to come. They are powerful, but they are not powerful enough to defy Congress. They are strong, but they are not strong enough to obstruct the Government. At least that is my hope and my belief, and I am convinced that unless we pass this proposed legislation now they will take on new strength and double their efforts and we will never pass it.

I feel like warning these gentlemen to this effect, "Continue your opposition and your fight and determination to have your own way, to be free absolutely from any supervision or regulation by anybody; regulate yourselves; I feel that if you persist in that struggle and that determination and that sort of fight and that sort of propaganda, the next movement that will come will be a determined and a successful effort to wipe away margins entirely from stock exchanges." That will take away from the exchanges 40 percent of their business. They will not like to see that; they will not enjoy that; but they are bringing that about, in my judgment, by their attitude respecting this proposed legislation.

Mr. BARKLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Kentucky?

Mr. FLETCHER. I yield.

Mr. BARKLEY. In line with what the Senator just said, I wanted to suggest that, notwithstanding the Committee on Banking and Currency has been engaged in an investigation of this subject for more than 2 years, resulting in more than 21 volumes of printed testimony, notwithstanding the fact that it held open hearings for weeks on this particular measure, many of those who were given an opportunity but did not take advantage of it to come here and offer suggestions as to this proposed legislation, now that it is out of committee and on the calendar of the Senate, are taking advantage of every opportunity to persuade the Senate and the House not to pass any legislation at all on this subject, on the ground that we have not as yet investigated the subject sufficiently to know what sort of act to pass.

Mr. FLETCHER. Precisely. They do not want any legislation at all; that is the whole story. As I said a while ago, I cannot understand why the director of any corporation, or the president or an officer of any corporation should object to a requirement that when he appeals to the public to buy the securities of his company it shall be exacted of him that he put upon the record the truth regarding those securities. Why should he not state the truth? And if he states the truth that is all that is required of him.

Mr. President, Senators have received letters and communications of all sorts from all sections of the country protesting against this proposed legislation; Senators have been flooded with such letters; but perhaps they have not heard from the unorganized victims. I have had bushels of letters from them. It would weary the Senate for me to portray the individual pictures that have been presented, but they ought to be known and they ought to be considered. I could for 2 or 3 hours tell the Senate about particular pathetic cases. I may mention just a few of them. For instance, a maiden lady in a certain town in a certain State had $10,000 of Liberty bonds—and that was all she had in the world—when along comes one of these high-pressure salesmen and persuades her that she ought to be getting 8 percent, at least, in dividends from the stock which he represented and which he claimed was bound to rise in value. He persuaded her to sell her Liberty bonds, and put her $10,000 into an Insull company, and she has lost her whole fortune. That sort of thing is going on everywhere.

I have one from a street sweeper in the city of St. Louis who had accumulated three or four thousand dollars in cash, which was all he had, according to his letter to me, and I have no doubt his statement is true. He was persuaded by one of these salesmen to invest in the stock of an affiliate company, all that he and his wife had saved up, and today it is not worth a cent.

A trucker down in Florida—poor fellow—and his wife worked hard all their lives, taking all the chances of the seasons, fighting insects and what not, taking the chances of the market, selling their products and finally accumulating $1,000 apiece. He saw quoted on the curb exchange in New York the stock of a big Midwest corporation at $1 a share. He thought there must be some profit in it, and he communicated with a broker. The broker told him to send on his $2,000 and he would send him the stock.

He sent the $2,000 and the broker sent him the stock all right. The man who bought it sent me the certificates, and they were very good looking certificates, with a stamp showing the transfer tax paid, and all that kind of thing. Then the purchaser could hear nothing from the corporation or any of its officers, and wrote me to inquire about it. I did inquire and found that the corporation had been in the hands of a receiver for 8 or 10 months, and that at

that time it was in bankruptcy. I communicated with the referee in bankruptcy and he told me there were not sufficient assets to pay the Government tax.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield for a question?

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Arkansas?

Mr. FLETCHER. I yield.

Mr. ROBINSON of Arkansas. Was that broker operating on the exchange?

Mr. FLETCHER. Yes; he was a broker operating on the exchange; yes. I do not know whether he ought to be brought to task about that transaction, because the man wrote him and said, "I see quoted on the curb exchange this stock at $1 a share and I want 2,000 shares of it," 1,000 for himself and 1,000 for his wife. The broker took his order; that is all. Perhaps the broker ought to have warned him what the stock was, but he did not do so; he merely complied with his order, sent him the stock, and got his money, $2,000. In the first place, there ought to be some rule prohibiting the curb exchange or any other exchange listing or carrying on their trading list at all stock of a corporation that has been for some time in the hands of a receiver.

Mr. ROBINSON of Arkansas. Mr. President, may I ask if the stock was listed on the exchange?

Mr. FLETCHER. It was listed on the curb exchange, not on the regular exchange; it was quoted on the curb exchange; and that is where this man saw it quoted in the newspaper at a dollar a share. He simply wrote the broker and said, "Buy me 2,000 shares of the stock." It turned out that this stock was not worth the paper on which it was printed, because the corporation itself was in bankruptcy and there were not sufficient assets to pay the Government tax. I could go on and give similar instances involving school teachers and others all over the country who have suffered in that sort of way. They are entitled to some consideration.

I wish to read just some sample cases described in letters which I have received on the subject. I will not take the time of the Senate to read the entire letters, but here is one, for instance, from New York. The writer says:

> I wish to advise you that in 1932 midsummer I bought 300 shares of Macy stock at $44 and I paid for same. Between two brokers, who were handling the transaction, I lost the money completely, so that up to date I have not even received $1.
>
> * * * * * * *
>
> Your bill should pass both Houses, and it should be 100 percent more strict in controlling the stock exchange than it now is.

I do not need to put the whole letter in the RECORD. I just read extracts from it.

Some people wrote me who did not want to give their names. I do not believe the writers of any of the letters I now have in my hand made that request. Here is one from St. Louis, Mo., from J. D. McCutcheon, and dated April 19. Perhaps the Senator from Missouri may know the firm.

It is said that we cannot stop speculation, and we ought not to stop speculation. The stock-exchange people want to encourage stock speculation. The writer makes this point, which I will read, in order to emphasize it.

He says:

> Speculation not only makes no essential contribution to the capital financing of business enterprises but creates enormous obstacles to the legitimate performance of this necessary function. By an appeal to their avarice it first destroys the investment consciousness of countless small investors and then destroys their savings and their confidence. It is congenital with our system of capital financing, as at present organized, and feeds on itself at a constantly accelerating pace until it crashes. * * *
>
> For 13 years I have been in the security business * * * and have reasonably close contact with numerous investors. Judging from these contacts, it is my humble opinion that the owners are not only ready but anxious for a drastic reorganization of the system.

Mr. President, I will ask that this letter may be printed in full in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter referred to is as follows:

JOHN D. MCCUTCHEON & CO.,
St. Louis, Mo., April 19, 1934.

Hon. DUNCAN U. FLETCHER,
Senate Office Building, Washington, D.C.

DEAR SIR: Speculation not only makes no essential contribution to the capital financing of business enterprises but creates enormous obstacles to the legitimate preformance of this necessary function. By an appeal to their avarice it first destroys the investment consciousness of countless small investors and then destroys their savings and their confidence. It is congenital with our system of capital financing, as at present organized, and feeds on itself at a constantly accelerating pace until it crashes. This cycle will inevitably be a recurring one unless the present system is drastically reorganized. Capital issues should be bought to hold, but they never will so long as the managers of corporations and brokers, who play the game with them, can so handsomely profit by systematically milking the owners and creditors of these corporations.

For 13 years I have been in the security business (5 of which were as manager of the St. Louis office of H. M. Byllesby & Co.) and have reasonably close contact with numerous investors. Judging from these contacts it is my humble opinion that the owners are not only ready but anxious for a drastic reorganization of the system.

Any reform that is at all substantial jeopardizes the interests and property of someone, and those injured become highly articulate in their opposition. But it sometimes happens that the failure to enact a reform injures more people very much more substantially in the aggregate, but, because they are unorganized and inarticulate, their Senators and Congressmen do not hear from them. Naturally, large corporation officials, margin speculators, and members of stock exchanges are violently opposed to the Fletcher-Rayburn bill and the Federal Security Act. It is their particular racket that is injured. And how quickly these rackets become a right. Not so with the real investor who buys bonds to hold to maturity or stocks as a permanent investment, for income and not for speculative profits. I do not know a single such investor who is opposed to the Fletcher-Rayburn legislation. And make no mistake, these are the people who furnish the permanent capital for American business. They not only favor the principle of the measure but definitely believe that the bill cannot, under the circumstances, be too stringently drawn.

The specimen enclosed herewith, which has been very widely distributed throughout this territory, gotten out by a self-appointed group purporting to represent all or substantially all Missouri security dealers, is a sample of the hollow emotionalism by which hundreds of unthinking people are persuaded to write you letters objecting to the legislation.

The propaganda campaign has become so bitter that a good many salesmen, who feel as I do, are afraid to write such a letter as this for fear of blacklisting by employers. This is also true of numerous small dealers, like myself, who fear blacklisting by large underwriting houses upon whom they are dependent for their supply of new securities.

Let us not break faith with millions of honest investors who want a genuine new deal in security issues and in the organized market places for them.

Very respectfully yours,

J. D. MCCUTCHEON.

Mr. FLETCHER. I will next quote from a letter from J. R. Edwards, of Cincinnati, Ohio, who writes under date of April 20, as follows:

> The proposed law before Congress at this time to regulate the stock exchanges is a very necessary law, but due to the fact that so few people know why the system is bad and also due to the intense, seductive propaganda of the New York Stock Exchange the actual facts are perverted.

I will ask, Mr. President, that this letter may also be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter entire is as follows:

J. R. EDWARDS & CO.,
Cincinnati, April 20, 1934.

Senator DUNCAN U. FLETCHER,
Senate Building, Washington, D.C.

DEAR SENATOR FLETCHER: The proposed stock-exchange control bill is being considered by your body. It is good in every respect, except one dangerous weakness.

The proposed law before Congress at this time to regulate the stock exchanges is a very necessary law, but due to the fact that so few people know why the system is bad and also due to the intense seductive propaganda of the New York Stock Exchange, the actual facts are perverted. Of course the New York Stock Exchange know they are in for a spanking and they are agreeing to many of the proposals in the law to prohibit pools, manipulation, etc., but when it comes to marginal accounts great pressure is being brought to bear that these marginal accounts be permitted to exist. That's where the brokers make their money in two ways. More people can buy stocks on margin and then they lend the public from 50 to 75 percent of the cost of the stocks and they

charge 1 to 3 percent over and above the ruling rate for the money so lent.

Now the preamble of the original proposed law, section 2, which I earnestly request you to read (it may be expunged from the redraft of the measure) gave the reasons why speculation should be controlled. It blamed the whole depression upon extravagant speculation from 1927 to 1929, which is true, and I can prove it.

Now extravagant speculation can only be fostered through the use of tremendous sums of borrowed money. First, millions of gamblers buy stock on margin. Then the brokers lend them the balance of the purchase price. The next operation is that the brokers borrow this money from the banks to cover their extension of credit to their customers, and thus brokers loans are created. Now Congress is attempting to regulate the margin, whereas the margin is not the dangerous factor, except that 98 percent of the public lose their margin. The dangerous fact is the creation of brokers' loans that never can be liquidated except through the forced sale of the stocks in a panic, that always wipes out the margin.

This is too important a subject to gloss over or to compromise.

I know that the brokers are bringing great pressure on Congress to continue marginal accounts, but the danger is not in the margins; it is in the brokers' loans that are created by the margins. Congress must understand that brokers' loans are the most unusual class of loan. Unlike any other commercial credit, brokers' loans have no element of self-liquidation. A non-self-liquidating loan is a permanent loan that can only be paid off through the forced sale of assets. Now, brokers' loans can only be paid off at the end of a speculative era through the forced sale of the collateral stocks, which causes or accentuates a stock-market panic. Now, the stock-market panic started on October 23, 1929, and through a period to June of 1932, these brokers' loans were continually under forced liquidation, until stocks were forced to one tenth of their former prices. These loans were liquidated from eight and one half billion dollars down to $250,000,000.

Now, you can see that the forced liquidation of brokers' loans caused everybody that had stocks on margin to lose their margin, and in this case the public took losses estimated between nine and ten billion dollars. There were no original margins big enough to withstand the shrinkage. No country can take these staggering losses without feeling the effect, and the effect was a terrific curtailment of the buying power of the public through these staggering losses plus fear and the loss of confidence. The next effect was the terrific curtailment of business. We know this happened, and we know that this curtailment of business threw 12,000,000 people out of work, whose buying power was destroyed to the tune of $60,000,000,000 in the past 4 years. Nobody can dispute this fact.

But the disasters did not stop here, because with the curtailment of business to 25 percent of normal, the profits normally used to pay interest charges disappeared, and thus there were billions of defaults in bank loans, mortgages, and bonds. This destroyed confidence in most credit and froze billions of credit. Now, you begin to understand why the banks were affected, because they had much of the credit that was involved, either because it was in default or frozen. But in addition, since confidence in credit was destroyed, it demoralized the bond market, so that the bonds held by the banks had terrifically declined. Thus confidence in banks was shaken and hoarding came in waves. Deposits declined from $56,000,000,000 to under $40,000,000,000, which caused banks to liquidate their assets. But this was impossible to do, so 5,000 or 6,000 of them failed, many through no fault of their own. Thus confidence in the remaining banks was destroyed until President Roosevelt had to declare the bank holiday.

In recounting the above I want to bring out the fact it was not the margins that caused the trouble in the first place. It was the liquidation of these brokers' loans. Of course, the loss of margins started the lack of buying power. Therefore don't you see, as a legislator, that it is very dangerous for Congress to recognize margin accounts. You are legalizing the biggest gambling game in the world, of which the public knows nothing, wherein 98 percent of them always lose.

Why should Congress get into hot water by recognizing marginal accounts and try to standardize them? You are simply standardizing the borrowing capacity of millions of gamblers who are not entitled to credit, who are able to put up their life savings as margin; thus they are gambling on a shoe string.

The economic conditions call for a discontinuance of margin accounts. Prevent the brokers from accepting marginal accounts, wherein they have to borrow money on brokers' loans with their customers' stocks as collateral. Prevent the banks from making these dangerous brokers' loans that have no element of self-liquidation. When a panic starts the banks and brokers liquidate brokers' loans by selling the collateral that accentuates and continues the panic until it spreads to all lines where all values are liquidated, because economic pressure is exerted in every direction. This is too dangerous a subject to temporize with. It has always caused the period of distress to millions of people, that starts a chain of disastrous events.

If Congress would adopt the process that I have suggested, it would force everyone desiring to gamble in stocks to go to their local banks for their speculative accommodations. The banks would not lend money to their local customers unless they disclosed their financial statement, which would show that 80 percent of those desiring speculative accommodations were not entitled to them. It would establish an educational campaign against speculation where there is no possibility to win, because of brokers' loans, whereas the brokers always encourage the worst type and never look into the financial status of anyone.

Don't you see that the brokers should not be considered in this law, because the havoc they wrought in commerce, in banking, was terrific. The public and the United States should be given first consideration.

The proposed law is good in everything except the recognization of marginal accounts, and if you recognize marginal accounts, you have not corrected the weakness in our speculative system and the same conditions we had in 1927 to 1929 will be reenacted. It does not matter whether the Federal Reserve Board or the Federal Trade Commission is given authority to regulate margins; public pressure will be brought to bear against them when they endeavor to raise margin requirements, but no matter what percentage of margin they establish, it will be too late to stop the public when they become overconfident and when the easy facilities of gambling in stocks are ever presented to them from every angle.

It is just foolish to regulate margins. You must regulate the public, and this regulation can only be done by forcing them to go to their local banks for speculative accommodations, where they can be advised and cautioned against this hazardous game, where they can be refused speculative accommodations when they are not entitled to them. Think of the ribbon clerks, the janitors, the workingmen, small-business men, and millions of employees who got into the market in 1929, because they had enough margin to buy two or three times the amount of stock they should have purchased through the ease with which they borrowed the remainder of the purchase price, whereas if they had had to go to their local bank, they would have been refused and thus they could not have speculated.

The marginal system is all wrong wherein the individual who is not entitled to this class of credit borrows the remainder from the broker. Then he goes to the bank and borrows money without disclosing the fact that he has borrowed on stocks, but still considers his margin as cash or stocks, and so states it at the bank. Furthermore, he goes to his merchandiser and gets credit for goods purchased. The merchandiser thinks he is O.K. In all cases his margin eventually will be lost, because 98 percent of those who buy stocks on margin lose their money. As a matter of fact, the granting of credit on securities should be concentrated in banks. Then the banks would actually know the financial condition of each individual. Take the case of the big men in New York City. Their company borrows money, they personally borrow money at the bank, in addition to which they borrow money on margin at the brokers, but they do not disclose this last fact. As a matter of fact, the individual very rarely knows he borrowed money from the broker, because he thinks his margin is his only commitment. He does not have to sign notes with the brokers for his borrowed money and hence is not impressed with this fact, and eight and one half billion dollars was borrowed this way in 1929.

Won't you go to the front when this law is being considered? If you compromise, the old speculative system is still as bad as ever.

Very sincerely yours,

J. R. EDWARDS.

Mr. FLETCHER. Mr. President, I have a letter from the pastor of the Prospect Congregational Church, of Cambridge, Mass., in which he says:

A resolution was introduced and unanimously adopted in which this body of people expressed their disapproval of the gambling practices of the stock markets and calling upon Congress to regulate strictly the practices of the stock market and condemning unequivocally all such practices as may be called gambling operations.

I will ask that the entire letter may be published in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter referred to is as follows:

THE PROSPECT CONGREGATIONAL CHURCH,
Cambridge, Mass., April 17, 1934.

Hon. DUNCAN FLETCHER,
Washington, D.C.

DEAR SENATOR FLETCHER: I am not sure whether I have your first name right or not. Please excuse the error if I am mistaken. My reason for writing you is to assure you and the committee of which you are chairman that there is a strong undercurrent of popular opinion in favor of your efforts to control the gambling practices of the stock market. In every newspaper published from day to day there is spread forth many objections to calling a halt to the practices which have ruined thousands of people. These objections are offered by various bodies who are prompted apparently by the gentlemen who are addicted to speculation. Back of all the blatant objectors are a host of plain people who want Congress to proceed without fear or favor in protecting the savings of the American people.

Here is a bit of evidence of what I mean. The Suffolk North Association of Congregational Churches and Ministers met here in Cambridge last Wednesday. I had the privilege of serving as moderator. The meeting was attended by about 500 people representing 25 churches in greater Boston, and having a total membership of nearly 10,000. This is just one little section, a district, of

the Congregational Churches of Massachusetts which date their origin here to the Pilgrim Fathers.

A resolution was introduced and unanimously adopted in which this body of people express their disapproval of the gambling practices of the stock market, and calling upon Congress to regulate strictly the practices of the stock market and condemning unequivocally all such practices as may be called gambling operations. An expression of this sort is expressive of the sober judgment of a body of high-minded citizens and should offset many of the messages which are reaching you begging you to let the gentlemen of the stock market settle their own methods of doing business.

With best of wishes for the success of your committee in its difficult and necessary task, I am,

Yours very truly,

W. M. MACNAIR.

Mr. FLETCHER. I have another letter of date April 14, 1934, with reference to the business failures which have resulted from this speculative tendency. I ask to have that letter printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE INTERNATIONAL LAWYERS,
New York, April 14, 1934.

(In re stock-exchange regulation.)

Hon. DUNCAN U. FLETCHER,
Senator from Florida, Washington, D.C.

DEAR SIR: The other day I believe that Judge Clark of the Federal bench called your attention to the number of criminals that the unlicensed stock exchanges had caused.

I wonder if it has ever occurred to any of your committee the number of business failures which can be attributed to the same causes?

From 1920 until 1932 I was a credit investigator and adjuster for one of the largest credit agencies in the United States. I covered the States of Virginia, North Carolina, South Carolina, and parts of Tennessee, West Virginia, and Kentucky. Invariably, in making a call on a local retail business man, I would find him out. But I always knew where to look for him. If there was a branch of one of the members of the New York Stock Exchange—and there usually was—you would find him there from the time the market opened until it closed. While the manager of the chain store in the same town was on the job at his store from early in the morning until closing time.

Today, travel the same territory, as I had occasion to do the other day, and what do you find? Solid blocks of chain stores, few, if any, independent local stores, and these, as well as other local enterprises, dependent upon local conditions for their subsistence dying of dry rot, their proprietors still at their old game—watching the stock market.

Yours respectfully,

H. S. THOMAS.

I know of no stronger argument against marginal trading on stocks; do you?

Mr. FLETCHER. I have another letter from George R. Sims, a stockholder in 20 leading corporations which are listed on the New York Stock Exchange. He says:

I have been urged to write to you protesting against the proposed securities-exchange act. Instead I wish to notify you that I am heartily in favor of the measure, as it will, in my opinion, safeguard the investments of more than 20,000,000 shareholders in American corporations.

I ask that the entire letter may be incorporated in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

PORT RICHEY CO.,
New Port Richey, Fla., April 4, 1934.

Hon. DUNCAN U. FLETCHER,
Senate Office Building, Washington, D.C.

DEAR SENATOR: As a stockholder in 20 leading corporations which are listed on the New York Stock Exchange I have been urged to write to you protesting against the proposed securities-exchange act.

Instead I wish to notify you that I am heartily in favor of the measure, as it will, in my opinion, safeguard the investments of more than 20,000,000 shareholders in American corporations.

The only man this legislation can hurt is the manipulator, the promoter, the speculator, and the corporation executive who is more interested in the stock ticker than in the welfare of his shareholders.

It was at one time my ambition to be a shareholder in about 30 leading corporations representing a cross section of American commercial and industrial activities. Reluctantly I am coming to the conclusion that these great corporations are in many cases run primarily by the inside few to feather their own nest by trading in and manipulating their own securities.

The small shareholders, who furnish the capital, although they constitute a large majority, have no one to represent them; consequently they must be satisfied with the few crumbs which are occasionally thrown their way after the officers and insiders have liberally helped themselves to exorbitant salaries, bonuses, commissions, and profits on stock-market operations.

I hope you will not let the bill be emasculated. It means a new day for millions of American investors, and when it becomes law I wish that our great President would give this ultimatum to the corporations: "Pay at least 75 percent of your earnings every year to your stockholders in cash or pay it to the Government."

That would increase purchasing power by releasing money which is now kept locked up where it is not needed and where its retention is desired primarily for the purpose of power, influence, and control.

Regardless of propaganda the investing public is with you and will always owe you a debt of gratitude for your leadership in this campaign.

With kindest regards, I remain,

Sincerely yours,

GEORGE R. SIMS.

Mr. FLETCHER. I have a letter from Pittsburgh, Pa., signed by J. E. Lammert, which I ask to have inserted in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

PITTSBURGH, PA., *April 2, 1934.*

Hon. DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

MY DEAR SENATOR: I am taking the liberty of enclosing you herewith envelop and contents as received from the ——— Statistical Corporation, Newark, N.J., entirely unsolicited.

I assume that having been a "sucker" in the "new era" days of 1929, I and millions more like myself are still on the "sucker list." How "Mr. ——— made $1,000,000 in stocks, starting with only a few hundred dollars" is the same old bait, and it seems to me that if all the suffering of the last 5 years is not to have been for naught, during which period millions of our citizens, and the type who could least afford to suffer financial loss, have been robbed of their hard-earned savings by get-rich-quick financial schemes of the type being revived by Mr. ———, if the past has taught us anything, surely we must take steps to protect the gullible in the future, and it seems to me further that your stock-market regulation bill is none too severe and perhaps not drastic enough to forever stop this form of daylight and legal robbery. Can't you gentlemen down in Washington do something to put men of Mr. ———'s stripe behind the bars and keep them there?

I congratulate you, sir, on the courage you have manifested thus far in standing firm against the onslaught of Wall Street and its sewer of propaganda, lies and more lies, threats and yet more threats, and I am sure that your efforts to protect the weak and innocent against these financial parasites, who are truly nothing more than common crooks, is much appreciated by millions of our honest citizens, most of whom, unfortunately, have been so downtrodden that they don't have enough "guts" left to write and encourage you and Mr. RAYBURN, or who feel, "Oh, what's the use; we're sunk anyhow, and you can't beat that money gang."

Remain steadfast and strong in courage, and in the end you shall receive the crown of life—the love of your fellow common folks and the thanks of millions unborn.

Here's hoping you don't weaken and that our beloved President will use the big stick to get your bill enacted into law.

Sincerely and respectfully,

J. E. LAMMERT.

Mr. FLETCHER. Attached to some of these letters are circulars which have been sent out and distributed by stock exchanges, with their branches and their correspondents, and by brokers' offices, with their branches and their correspondents, as a result of which employees and others have been induced to invest in some of these stocks. They have sent throughout the country such circulars, requesting the recipients to protest against the passage of the bill. One day I received 50 letters from one city in New York, all written in identically the same language. At another time I received about 100 letters, all alike, from one community, showing that there is no question about the propaganda and its extent.

I have here a letter from Stokes, Hoyt & Co., sent to me by a man who received the circular. It will be noted that he says in a footnote following the printed portion of the letter:

I hope this bill will be passed. Had such a law been in force, I would not have been stuck on stock of this company which they have already forced me to exchange for new stock of 50-percent value of the original.

I ask that the circular letter be printed in the RECORD in full.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NEW YORK.

In our capacity as members of the New York Stock Exchange we have at one time or another served you to the best of our ability. From this fact we deduce that you have had a certain

confidence in our judgment and integrity and we value this confidence.

The proposed national securities exchange bill, which is now under consideration in Washington, will, in our judgment, directly or indirectly affect adversely practically every business and business man in this country; it will destroy the liquidity of securities markets; it will vastly curtail the incomes of the thousands who have made their living through perfectly legitimate dealing in securities, and it will cause wide-spread unemployment in the ranks of the many more thousands who have been employed by them. These are the immediate direct effects of the passage of the bill. Its indirect effects will be deflationary throughout the entire country through the progressive loss of purchasing power which will be suffered by all those above named.

The New York Stock Exchange is an institution whose fundamental intent has been the protection of the public interest in the maintenance of a balanced and orderly securities market. Its record for honesty and efficiency over the past many years has been noteworthy. Abuses creep into every business, and those attendant on the securities business have been publicly magnified so that the original and more important purpose of the exchange to enforce just and equitable principles of trade has been practically obscured.

Governmental supervision of exchanges would not be opposed by any constructively minded business man. The conclusions reached by the Roper-Dickinson committee, after prolonged study of the situation, were to this end, but they have been disregarded by more hurried and less intelligent commentators.

It is not our wish to attempt to influence the opinions of our clients, but knowing the lethargy which nearly everybody feels toward writing to their congressional representatives, we take this liberty of urging that, if you agree with our contentions above expressed, you will write or telegraph to your Congressman and Senator in Washington demanding their opposition to the present securities bill and urging that its eventual form shall be supervisory rather than regulatory.

STOKES, HOYT & Co.

Received this date.

In connection with the revised legislation for regulation of stock exchanges which is now pending before Congress, companies of the Associated Gas & Electric System having securities listed on the New York Stock Exchange have received the following communication from Mr. Richard Whitney, president of the exchange:

"The revised bill for the regulation of stock exchanges introduced yesterday in the House of Representatives still contains the most objectionable features of the original Fletcher-Rayburn bill. Rigid margin requirements, capable at times of being either prohibitive or overliberal and similar to those originally proposed, are still retained although some small measure of control is given to the Federal Reserve Board instead of the Federal Trade Commission.

"The Federal Trade Commission is still given power to control listed corporations and is also given complete power to operate and control stock exchanges. In spite of the reassuring statement that has been issued in regard to this new bill, an analysis of its provisions shows clearly its authors, who are the same persons who drafted the original bill, have not receded from their position that in the guise of stock-exchange legislation the Federal Trade Commission should be given power to dominate business and industry.

"The practical consequences of this bill to the security markets of the country will be just as severe as the original bill, and in my opinion will necessarily cause serious declines in security prices which will inevitably retard the economic recovery of the Nation."

In a previous communication we expressed our opinion that this bill will be injurious to the company and to your interest in it. We wish to thank those who acted on our suggestion to write to the President, their United States Senators, and their Congressmen opposing his bill, which provides for the domination of affairs of private corporations by the Federal Trade Commission. Mere modification of objectionable features, however, is not enough.

We suggest that you again write, urging the elimination of the damaging features of this bill.

APRIL 7, 1934.

I hope this bill will be passed. Had such a law been in force, I would not have been stuck on stock of this company, which they have already forced me to exchange for new stock of 50-percent face value of the original.

H. A. LITTLEJOHN,
Lake Wales.

(A list of the Senators and Congressmen from your State is given on the reverse side of this page.)

Senators from Florida (address at Senate Office Building, Washington, D.C.): DUNCAN U. FLETCHER, Jacksonville; PARK TRAMMELL, Lakeland.

Representatives from Florida (address at House Office Building, Washington, D.C.; home addresses are given below for identification): HARDIN J. PETERSON, Lakeland; R. A. GREEN, Starke; MILLARD CALDWELL, Milton; MARK WILCOX, West Palm Beach.

At large: WILLIAM J. SEARS, Jacksonville.

Mr. FLETCHER. From Pittsburgh, Pa., came another letter from a lady, which I ask may be printed in the RECORD in full.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

PITTSBURGH, PA., *April 12, 1934.*

Hon. DUNCAN U. FLETCHER,
Chairman Senate Committee on Banking and Currency, Washington, D.C.

DEAR SIR: I have been asked by my broker to write you expressing my disapproval of the National Securities Exchange Act of 1934, known as the "Fletcher-Rayburn bill."

On the contrary, I am very much in favor of just such a bill, and I am sincerely hoping that the bill will go through.

It has the approval of my family, and you are to be congratulated when said bill has been passed and becomes a law. I have some stock and got badly "stung" in 1929; worse in 1930.

I am wishing you every success in having this passed with the least possible bother.

Respectfully yours,

MARGARET SANDLER.

Mr. FLETCHER. From William B. Heller, of New York City, I received an interesting letter, which I ask may be inserted in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

APRIL 12, 1934.

Hon. DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

DEAR SENATOR FLETCHER: I want to express to you the unvoiced thanks of thousands of Americans for the work you are doing in connection with the stock exchange control bill.

Do not be deterred by noisy demonstrations or remonstrances. You are working to protect the inarticulate millions who by saving and self-denial and by deprivation have tried to save a competence for their old age and for the education and protection of their children.

America is not all labor and capital, not all forgotten men and bloated bondholders. I appeal to you for the great army of small security holders, not speculators, who by hard work, thrift, and self-denial have furnished the sinews to make America great.

Therefore, infinitely more important even than the control of the exchanges is the control of the corporation managements.

We, who are unable to protect ourselves from self-perpetuating managements, beg you to protect us by law from those officers and directors who habitually run the large corporations for their own benefit and enrichment, not for the benefit of their stockholders.

1. Prevent public corporations engaged in interstate commerce from telling their stockholders only once a year something of their earnings and progress. This enables the officers and directors to accumulate and unload stock to the detriment of their stockholders.

Compel every such corporation to issue a statement every 3 months giving sales, earnings, and all other necessary financial information, with comparative figures for the last 3 years. The stockholders are entitled to this information for their own protection.

The specious arguments of unnecessary expense, divulging of trade secrets, etc., now being put forward by managements unwilling to give up their present unfair advantage over their own stockholders, are false and should be disregarded.

2. Make it a felony for officers or directors of such corporations to circulate or cause to be circulated false rumors or statements as to the sales, earnings, losses, or activities of the corporation. It is common knowledge that many of the annual statements of the large corporations are "doctored." And that false rumors are circulated to enable officers, directors, or their friends to accumulate or unload stock of the corporation at advantageous prices.

3. Prevent any such corporation from owning, buying, or selling its own stock, except in the form of regular stock issues to acquire additional capital or to purchase companies in its own line of business. Neither should any such corporation be allowed to own a subsidiary whose primary object is to deal in the stock of the parent corporation.

Untold fortunes have been lost to stockholders through corporations' speculating in their own stocks. A corporation engaged in the oil, steel, chemical, or dairy business should concentrate its activities on that business. It has no right to gamble in its own stock with the stockholders' money.

Furthermore this leaves too much of a loophole for the officers and directors to sell back to the corporation stock with which they are stuck. Any repurchased stock now held by such corporation should be canceled.

4. It should be illegal for any such corporation to give a bonus in stock to any officer or director. If any bonuses are necessary they should be paid in cash and duly shown on corporation reports.

5. It should be illegal for any such corporation to grant to any officer or director an option to buy below the prevailing market or sell above the prevailing market stock of the corporation. This insidious "racket" is prevalent in many of the largest corporations. Millions of the stockholders' savings have been taken from them in this manner, without their knowledge or consent.

6. The proxy is the insidious weapon used by large corporate managements to perpetuate themselves. The great majority of stockholders return proxies sent them without any realization or knowledge of the blanket powers they are thus conferring on the directors.

The proxy is actually a blank endorsement of any act, known or unknown to the stockholder, performed or to be performed by the directors or officers.

I strongly urge that it be made compulsory that there be printed in red ink on every proxy sent out by a public corporation engaged in interstate commerce, a clause informing the stockholder that by signing this proxy he is giving his consent to the present officers and directors to perpetuate themselves and that he is giving his approval of all acts, known or unknown to the stockholder, which have been or are to be performed by the officers or directors.

If the directors and officers have conducted themselves in an upright and efficient manner, no stockholder will object to signing such a proxy. He will, in fact, gladly thus express a vote of thanks and of confidence in the management of his company.

Therefore there can be no legitimate objection to including this clause in every proxy.

I cannot urge too strongly that you devote your fullest efforts to the proper control and regulation of the corporations themselves. The regulation and control of the exchanges is undoubtedly necessary, but margins, etc., mean little, only speculators are concerned.

Infinitely more important and more vital is the regulation of the corporations. They represent the savings of millions of Americans.

Our confidence in the integrity of the managements of these corporations has been terribly weakened. If the investors (not the speculators) of America lose faith in the honest management of their corporations and sell their securities, where will the corporations obtain capital? And what will become of the industrial structure of this country?

Permit me once more, my dear Senator, to urge you once more to devote all your energies and talents to this subject.

There is abundant evidence of the abuses which I have outlined. Annually they cost the millions of American investors many times the sums lost through the present operations of the exchanges. This concerns the investors, who outnumber the gamblers a hundredfold.

With my sincere admiration for the wonderful work you are doing and the great ability you have shown, believe me to be,

Very sincerely yours,

WILLIAM B. HELLER.

Mr. FLETCHER. I have a communication from the Twentieth Century Fund, Inc., which I should like to have printed in the RECORD. They have done a splendid work. The Twentieth Century Fund published a book on the subject. Their research work and what they have accomplished through that fund have been of very considerable help and benefit to the committee. The book they issued is entitled "Stock Market Control" by the Twentieth Century Fund, Inc. It is a very interesting book. I ask that their letter may be printed in the RECORD.

There being no objection, the letter was ordered to be be printed in the RECORD, as follows:

TWENTIETH CENTURY FUND, INC.,
New York, March 24, 1934.

The Honorable DUNCAN U. FLETCHER,
The Senate, Washington, D.C.

MY DEAR SENATOR: On March 6 I had the honor of appearing before the Senate Committee on Banking and Currency in reference to S. 2693, known as "The National Securities Exchange Act of 1934."

In my capacity as director of the security-markets survey staff of the Twentieth Century Fund, Inc., I took that occasion to point out what I deemed to be specific defects in the bill, with the general objective and purpose of which, however, I found myself in thorough sympathy.

I have examined the revised draft of the National Securities Exchange Act, under the designation H.R. 8720, and I am of the opinion that the revisions that have been made broadly meet my previous criticisms, and bring the bill into substantial accord with the program of recommendations prepared by the staff of the Twentieth Century Fund on the basis of a 5 months' study of the organization and operation of security exchanges in the United States.

On behalf of the staff, therefore, I am taking the liberty of urging the speedy enactment into law of H.R. 8720 without serious amendment.

Respectfully,

ALFRED L. BERNHEIM.

Mr. FLETCHER. I offer also for the RECORD a letter from Wurtsboro, N.Y., written by Edwin R. O'Reilly. I ask that it may be inserted in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WURTSBORO, N.Y., *April 5, 1934.*

Senator FLETCHER,
Washington, D.C.

MY DEAR SENATOR: It has been a great pleasure to follow your noble fight to eliminate the forces that make Wall Street "one end a graveyard, the other a river." How can the board of governors and Mr. Whitney be sincere in their reforms when today they find it impossible to check the greatest evil of the Street? Many years ago I ran a customers' ledger in New York Stock Exchange houses. Ninety-seven percent of all odd-lot and low-price stock traders are losers. Ask any honest margin clerk's opinion. They are the customers man's sucker list.

The comments of the financial writers; the action of the market; the tips around the street, through the country—the old tout system operates today. The C.M. plug the phones just as strong as any bucket shop ever did. The nets are set stronger than ever for the low-price stock gambler. The law of averages says they must take a loss—97 percent of them. April 4, 161,800 shares traded in selling under $8. The low-priced field plugged and touted—the cold-deck dealers' stock in trade. The press proclaim it.

May God bless you in your endeavor to protect those foolish people who cannot afford to lose but under the present system have little chance to win. Mr. Whitney and the board of governors are well aware of these cheap tips being touted. Why not look into the profit on the interest of the debit balances, short interest withheld—it is seldom given unless demanded. The odd-lot houses strongly represented on the board of governors. How about them? Ask Allyn Ryan and Mr. Saunders what they (O.L.H.'s) did when caught short. May you be able to lead the small fish away from tout and ticker. They will then get down to business and work instead of heading from that crooked, narrow street to the river or under the sod, a lost faith.

Yours truly,

EDWIN R. O'REILLY.

Mr. FLETCHER. I have also a letter from Bryan Kemp & Co., of Richmond, Va., which I ask to have inserted in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

BRYAN, KEMP & CO.,
Richmond, Va., April 7, 1934.

Hon. DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

SIR: Being a member of the New York Stock Exchange and the Chicago Board of Trade, I have followed with much interest your efforts to give the country a law that will protect investors against certain corporate evils.

I have not been engaged in active business since July 1933, but I am a stockholder and bondholder in probably 20 different companies, all of which companies have their securities listed on the New York Stock Exchange. I am a director of one large corporation, and I was chairman of the committee of stockholders of the Chesapeake & Ohio Railway Co., which opposed the Van Sweringen interests before the Interstate Commerce Commission for a period of more than 2 years; and, largely as a result of our efforts, their railroad-consolidation scheme was not approved by said Commission.

In my opinion, the greatest evil from which stockholders suffer is the lack of information from corporate interests generally, and especially on the part of directors and officials. In some cases with which I am thoroughly familiar, directors have absolutely refused to give to stockholders essential information to which they were entitled. I cannot see any good reason why directors and officials of corporations should be given monthly statements of earnings and this same information withheld from stockholders until several months after the close of the fiscal year. When a stockholder has the temerity to ask what salaries are being paid to officials, I have known of instances where this information has been refused. There are few annual reports of industrial corporations showing the salaries paid officials. Directors have the machinery of the company to reelect themselves; and if stockholders could be given these facts, in some cases I am sure many of them would not be reelected.

I, therefore, sincerely hope that in whatever form the bill is eventually written, you will endeavor to see that all corporations whose securities are traded in on the various exchanges are required to publish monthly statements of their earnings and expenses. In many large corporations this information is given to directors weekly.

In my opinion, it is nonsense to say that if this information is published monthly it would cause an injury by reason of competitors having knowledge of same. With such information in the hands of stockholders and the public generally, directors and officials would not have the unfair advantage which they now enjoy.

Very respectfully,

GEO. S. KEMP.

Mr. FLETCHER. I have a letter from the Springfield Daily News, of Springfield, Mass., enclosing an editorial relating to the bill. I ask that the letter and editorial be printed in the RECORD.

There being no objection, the letter and editorial were ordered to be printed in the RECORD, as follows:

SPRINGFIELD DAILY NEWS,
Springfield, Mass., March 23, 1934.

Hon. DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

MY DEAR SENATOR: Enclosed is Scalpel on Wall Street's latest opposition to your stock-market control bill.

I hope Congress will now stand firm, undaunted by the yapping of the Wall Street wolves, and speedily enact the bill as revised into law.

Sincerely yours, ARTHUR HOYT BOGUE.

[From the Springfield (Mass.) Daily News, Mar. 23, 1934]

THE SCALPEL

It was to be expected that the president of the New York Stock Exchange would object to the revised stock-market regulation bill, for Wall Street bankers and stock brokers would be against any legislation that in any way even curbed the banking, speculative, and investment rackets that Wall Street has been permitted to practice for more than a century.

This legislation is designed to protect both the speculating and investing public against the exploitation that has not only brought ruin to these two groups, but has brought disaster to all business and seriously injured every man, woman, and child in the Nation. It is just because of this that Wall Street is vigorously fighting, for Wall Street stripped of its license to exploit, must go out of business. Nothing short of the gigantic profits that resulted from playing its rackets will satisfy the bankers and stock brokers of Wall Street. These would far rather quit business than be compelled to exist on the reasonable profits that result from an honestly conducted banking, investment, and brokerage business and so the Street is fighting against the revocation of its long-permitted exploitation license.

Wall Street's inherent attitude was brilliantly brought out by the president of the stock exchange when he declared that this legislation was designed to carry out "social theories." Social and economic justice for the people is utterly beyond the mental capacity of Wall Street, which is and always has been the center of the kingdom of unrestrained greed and ruled by financial kings, obsessed and consumed by greed to the point of stark insanity, and this is vividly spread on every page of Wall Street history.

The revised Fletcher-Rayburn bill is actually little modified as to regulation of the stock markets. The chief change is that much of the regulation is now discretionary instead of mandatory, and the power is contained to impose even the most drastic control when occasion demands. The control over credit is placed with the Federal Reserve Board, while general supervision remains with the Federal Trade Commission.

As this legislation now stands, there will be no more stock-market regulation than any administration at Washington wishes to exert. If this proposed legislation had been the law during the stock-gambling orgy of 1928 and 1929, there would probably have been no more control of that madness exerted than there was under both Coolidge and Hoover.

From this it follows that it all depends on who is President, and this places the responsibility on the people to keep control of their Government at any cost, for their interests will only be protected and safeguarded to the extent that they elect Presidents like Roosevelt, who will protect them against the industrial, banking and financial wolves that have so long fed and fattened on the people.

With the credit regulations placed in the hands of the Federal Reserve Board, which may act or fail to act as this Board did all through the stock-gambling orgy of 1928 and 1929, it becomes even more paramount that the Government own and operate the Nation's banking business.

The stock exchanges cannot operate an hour without banking credit. Banking credit is the heart of the stock exchange; and unless the flow of the credit blood is under absolute Government control, the private bankers will find a way to circumvent any law, as they have so successfully done for themselves and so disastrously accomplished for all the people throughout all our history.

The only sure control of banking credit is through Government ownership and operation of all banking, and this the people should insistently and constantly demand until it is accomplished, for this is vital to the people's welfare, and for posterity it means slavery or freedom.

Mr. FLETCHER. I have a letter from Miss Erna M. Brenneman, of Los Angeles, Calif., a public-school teacher, which I ask to have printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

LOS ANGELES, CALIF., *March 19.*

DEAR MR. FLETCHER: As a representative of a large group of hard-working men and women who have lost part or all of their savings through stocks bought from "high pressure" stock salesmen, I implore you to do your utmost in seeing that the Fletcher-Rayburn bill be passed.

Yours truly,

ERNA M. BRENNEMAN,
Public-School Teacher.

Mr. FLETCHER. I have a letter from the commissioner of finance of Fresno, Calif., which I ask to be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CITY OF FRESNO,
Fresno, Calif, March 19, 1934.

Hon. DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

DEAR SENATOR: Incomplete and unsatisfactory statements come over the wire in regard to your bill, proposing to regulate the stock exchanges.

I am very much interested in the subject. I had 8 years' practical experience on Wall Street, New York, and understand the stock business, as it was transacted years ago, thoroughly. I presume it has not changed in essentials. I regard it as being the most direct of any of the causes that bring about financial disasters and commercial and industrial break-downs.

Now, I notice by the dispatches, that the friends of the exchange are endeavoring to break you down on the threat of interference with land speculation. Now land speculation, dangerous as it often turns out to be, is an entirely radically and fundamentally different matter from this stock speculation. A man may buy land on the installment plan by putting up a first payment, but in that case he gets possession of the land, and so it is with all goods and merchandise sold on the installment plan. Possession goes with the first payment. Now, when a man buys stock on the New York Stock Exchange and puts up a marginal payment, he does not get possession of the stock certificate. The broker who holds his money which was paid on the margin also holds possession of the stock certificate. The so-called (he is only the so-called) "buyer" of the stock certificate does not get possession of it and does not expect to ever own it. He is making a bet on next week's or next month's price of the stock and the broker holds the stakes in the bet. He holds the certificate to protect him against a rise in the price, in which case he must pay some money to the bull operator, and he holds the said operator's money to protect him against a drop in the future price of the stock.

It is a matter of gambling and nothing else. In October 1929, 7,200,000 accounts of speculators were closed out, thus depriving those 7,200,000 people of a buying power which they previously had. The demand for diamonds, fur coats, automobiles, and other things which successful people, whether gamblers or others, are wont to purchase fell off, and hundreds of thousands of working people lost their jobs in consequence.

The gambling on the stock exchange in New York is a worse evil than wars, floods, or famine. May you be encouraged to keep up your righteous warfare upon it.

May I ask you to send me a copy of your bill?

Yours very truly,

WILLIAM GLASS,
Commissioner of Finance.

Mr. FLETCHER. I have a letter from Detroit, a letter from New York City, and a third letter from St. Louis, Mo., all of which I ask to be printed in the RECORD at this point.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

Senator FLETCHER,
Washington, D.C.

DEAR SENATOR: I am strongly in favor of stock-market regulation and of rigid control by the Government when necessary. There is a decided disposition of the exchange governors to wink at violations of fair dealings, because they themselves were brought up as boys in that same school of racketeering.

I, myself, was legally swindled out of $5,000 by sale to me of stock in the Hutton Engineering of Detroit (listed only on Detroit board) by wash sales—a process I had vaguely heard of but did not know that form of thievery was permitted in this land.

This outright form of swindle is and has been foisted on millions of people by financial racketeers. By granting an option on a quantity of stock any executive can have his company's stock "washed up" to as high a figure as the public will take it. This is done with market letters, newspapers, fictitious sales, dummies, etc.

I am strongly in favor of laws with no loopholes and a prison term to throw a fear in hearts of this useless class of men. I favor to include the financial editors who knowingly give extra space, for a consideration, in their columns during the time a particular stock is being "run." Difficult to prove. Last summer a vacuum cleaner was "run" in just such a manner. Larceny by trick. This stock rose from 9 to 18; and when the 2 months' option expired, the stock fell back to 7.

Yours truly,

EDW. FRUMVELLER.

NEW YORK, *March 16, 1934.*

Hon. DUNCAN U. FLETCHER,
Senate Office Building, Washington, D.C.

DEAR SENATOR FLETCHER: I have just read your article on Financial Racketeers published in the current Liberty. The splendid battle which you and your committee are waging almost single-handed merits the profound gratitude of all right-thinking people. In view of the enormous organized power against which you are contending and the far-reaching importance of the issues, your success in effecting the passage of your bill will mark an era in the history of progress and reform.

Very sincerely yours,

ARTHUR M. WICKWIRE.

ST. LOUIS, MO., *March 13, 1934.*

Hon. DUNCAN U. FLETCHER,
Senate Chamber, Washington, D.C.

DEAR SENATOR FLETCHER: I have read and reread your article published in the Liberty Magazine of March 17, as have many others of my acquaintance, and we all desire to thank you for bringing these matters into the light of day by your article and

for the splendid work which you are doing for the American people in stopping and prohibiting the abuses of the bankers and brokers all over the country, and particularly those in Wall Street, for they were the ones who fed out to the others the false information and the rotten securities.

It is my humble and honest opinion that the industrial and financial condition of our country today had its source in Wall Street, and those of us who are trying to be fair and honest are looking to you to force the "wolves" of Wall Street to honest dealings and integrity, and you can be absolutely assured that in your efforts and actions you have the whole-hearted support and carry the hopes of the decent people in every community. May you be given the health and strength to carry out your purpose.

Sincerely yours,

EDWIN W. LEE.

Mr. FLETCHER. I have here a newspaper clipping to the effect that $1,000,000 of securities issued in 1929 have become wall paper for the Union League Club in 1934. In other words, the Union League Club of Chicago has papered a room with stock certificates which the members held amounting in face value to a million dollars. That is an evidence of what has been put upon the public in this country through these various enterprises.

The PRESIDING OFFICER. Does the Senator ask to have printed in the RECORD the clipping to which he refers?

Mr. FLETCHER. Yes; I ask to have it printed in the RECORD.

The PRESIDING OFFICER. Without objection, that order will be made.

The clipping referred to is as follows:

ONE MILLION DOLLAR SECURITIES OF 1929 TO BECOME WALL PAPER FOR UNION LEAGUE CLUB IN 1934

CHICAGO, ILL., March 9.—The Union League Club, whose membership includes many financiers, has found a way to use about $1,000,000 worth (face value) of stocks and bonds that today are just so much paper.

They are going to be used for wall paper!

On the assumption that each club member has at least a small quantity of the paper desired, a call has gone forth for them to bring it in to the house committee.

And these gold-engraved and green-bordered stocks will be used to cover the walls of a private dining room.

Fittingly enough, this dining room, located on the eighth floor of the 23-story club building, overlooks the center of the stock and bond business in La Salle Street.

The room has already been dubbed the "million-dollar room, or the folly of 1929."

The idea originated with Harry Doherty, manager of the club, and Dayton Keith, banker and chairman of the club house committee, when they were seeking unique ideas in spring decorating.

"And we found one", chuckled Doherty.

In his opinion, union leaguers might do well to bring their stock brokers to luncheon in this room when it is completed.

"One look at the walls would leave even the stoutest of brokers in a weakened condition", he said, "and you know there is nothing dearer to the heart of present-day business men than to see their brokers in a weakened condition."

Doherty said that the room would remind the diner of the American tendency toward overspeculiation.

"An overspeculation", he added, "that inevitably leaves us with funny little pieces of paper that are good for nothing but a bit of wall paper."

The newly elected president of the club, John McKinlay, head of Marshall Field & Co., is lending a helping hand.

Mr. FLETCHER. I ask to have certain other letters, which I shall not stop to enumerate, printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letters are as follows:

BOSTON, MASS., *March 2, 1934.*

MY DEAR SENATOR FLETCHER: Your bill to regulate the stock exchange seems to me very mild. The stock market has been the cause of more suffering to the people of this country than any other factor. It has swept away the life savings of millions. It has driven thousands to suicide. Its path is strewn with the wreckage and devastation of the hopes, lives, and fortunes of our people.

In view of the monstrous record connected with the stock market, it would be perfectly justifiable to close the exchange forever.

I hope you will not relax in your efforts to give the people some sort of protection against the manipulations of schemers. As long as we allow the exchange to function, we must give it the strictest supervision. Any modification of your bill will nullify its good intentions.

Very sincerely yours,

H. FEIN.

BURNHAM & CO.,
Washington, D.C., February 28, 1934.

Hon. DUNCAN U. FLETCHER,
United States Senate Office Building,
Washington, D.C.

MY DEAR SENATOR: I listened to a radio address by the college professors of the University of Chicago, and many of their views were so opposite to mine that I wrote them, a copy of which I have the honor of enclosing to you.

Just why college professors should know how this bill will work out is not clear in my mind.

I can only say, my dear Senator, that for more than 30 years I have been on the inside and on the outside of the stock exchange, both as a floor trader and as an outside speculator, on my own account, and I consider your bill a wonderful piece of constructive legislation.

With kind personal regards, I am,

Sincerely,

CHARLES HENRY BURNHAM, JR.,

SOUTH ORANGE, N.J., *February 28, 1934.*

Senator D. U. FLETCHER,
United States Senate, Washington, D.C.

DEAR SENATOR FLETCHER: I take the liberty of congratulating you and your committee, also Mr. Pecora and his staff, for the splendid job you are doing in behalf of the American people.

We earnestly urge that you put through your bill to regulate the stock exchange in its present form, rather than permit these financial racketeers and their associates to draw the teeth from this necessary law.

Your recent investigation of income and practice of these chieftains of high finance prove that without exception they all beat the law; and therefore if any loopholes are put in your bill, this crooked gang will take advantage as usual.

The present administration has the moral support of the majority of the decent American public, and this public opinion is supporting your committee and all the other good work the present Congress is accomplishing. If there is any doubt of this fact in your mind, simply request by mail over the radio an acknowledgment, and I promise you will be swamped.

Wishing you all good health and success in all of your endeavors, I remain,

Sincerely,

L. ROBINSON.

NEW YORK CITY, *April 25, 1934.*

Hon. DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

MY DEAR SENATOR: I appreciate your letter of April 21 enclosing the so-called "stock-exchange control bill", prepared by your honorable committee and presented by you to the Senate.

I congratulate you and your associates in the preparation of this bill with such intelligent comprehension of this complex problem in all of its phases.

It seems to me that no honest man in American business life should fear the effect of this bill, if finally passed by Congress. On the contrary, I am of the opinion that, in spite of the criticisms which have been leveled against same, it will convince the American people that in buying and selling stocks under such a bill they will, at least, be dealing in legitimate securities at prices based on ethical methods by all concerned.

Personally I am of the opinion that, instead of injuring the business of the stock exchanges in future, the bill's demands will be the means of greatly increasing legitimate stock-exchange business. Crooked or unethical trading should be eliminated, and I believe that every decent business man in America agrees heartily with that idea.

Sincerely yours,

W. P. DEPPÉ.

THE POLYCLINIC,
Seattle, March 7, 1934.

Senator FLETCHER,
United States Senate Office Building,
Washington, D.C.

DEAR SENATOR FLETCHER: As a casual student of our financial and economic structure I am interested in the pending legislation designed to regulate stock and grain exchanges. I herein present a point which, as far as I know, has not been used in the controversy. It contains a large element of truth and is particularly valuable as propaganda as it lends itself gracefully and eloquently to oratorical discussion and newspaper publicity.

The pirates of old who preyed on the commerce of the seas did not contribute one iota of essential service to the production and distribution of the commodities affected by their activities. For a time their business flourished, and the men engaged therein were accepted in society as gentlemen. Later they were given ill repute and their practice was suppressed. Our own Government aided in the effort.

Financial buccaneering has grown up in the United States coincident with the growth of the corporation idea in our economic structure and reached its zenith in 1928 and 1929. Nearly all corporations of tempting size have had one or more experiences in the hands of pirates or highjackers.

Had financial pirates been able to buy Ford for $1,000,000,000 through reorganization, they would have filched from the public in cash far more than the total purchase price and yet would have retained controlling interest so the investing public would have continued at their mercy. Upon their inability to buy they tried to highjack Ford out of his property. He saved himself and rendered the public a meritorious service for which to this day he has been criticized rather than praised.

Law should prevent Dillon, Read & Co. and every other fiscal service agency in the country doing what they did with Dodge. They should be limited by law to a nominal commission for fiscal services rendered, payable in stock or otherwise, and under no circumstances should the percentage of voting stock so acquired be a greater proportion of the whole than the total commission is of the total stock issue, including all classes thereof.

These buccaneering financial agencies contribute no more essential service in the production and distribution of commodities than did the pirates of old; yet it is largely by their methods that wealth has been concentrated in the hands of the few.

Buccaneers in charge of two or three large units, by artificial stimulation of production and unfair practices in selling a product in order to unload stock on the public to their own profit, frequently throw the whole industry out of balance.

The evils of their practice are as discernible as were those of pirates of old and are as vulnerable and as definitely remediable. It will be a new day for industry in this country, a new day for the investing and commodity-buying public, and a new day for labor when executives can go about their daily pursuits secure in the guarantee that they are safe from the menace of financial buccaneers. The sale price of stocks will be determined by normal economic laws and will more accurately reflect their dividend-earning power. Industry will be relieved of the supercargo of stock now imposed, and satisfactory dividends will the more easily be earned and maintained.

Executives can then better devote constructive thought to solution of problems incident to distribution and to those affecting the relations between industry and labor.

The present attacks by financial interests do not reflect the sentiment of the public and are not in the direction of the welfare of the country as a whole. The United States Chamber of Commerce and affiliates are considered by many to be dominated in this matter by financial interests.

Today's papers tell of militant opposition by bankers and brokers; it is analogous to the opposition by the pirates of old, whose business was hurt, causing individuals and companies of that day to go bankrupt; the ruin of the former will be as salutary as that of the latter. The one opposed with powder and ball; the other opposes with verbal barrage.

Yours truly,

H. J. DAVIDSON, M.D.

MARCH 10, 1934.

Senator DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

HONORABLE SIR: Enclosed herewith is a clipping from the San Francisco Daily News of March 8.

Believing that you will be interested in talk and developments on the Pacific coast as regards this bill, I am writing to tell you what the brokerage houses are doing and saying.

Meetings of stock exchange and brokerage houses are constantly being held, and those in attendance are told: The brokerage business of the country employs, directly and indirectly, over 5,000,000 men and women. Every one of these people must get their friends to write letters to the President, to their Congressmen, to their Senators condemning the Fletcher-Rayburn bill and demanding that it be defeated; they must threaten to refuse to vote for anyone voting in favor of the bill. The aim of the brokers and exchanges is to flood Washington with 20,000,000 or more letters and telegrams against the bill. Brokers in many instances are having clerks in their offices write the letters and then persuade their clients to sign them. Some of the most vitriolic terms and expressions in the letters were conceived in the brain of some $60-a-month board marker, put into a letter by some employee of the firm he works for, signed by some client who may not have even read the letter, and mailed to some official in Washington as representing the true thought and belief of the sender.

Brokers are freely forecasting that the Congress will not have the courage in the face of the apparent Nation-wide opposition to pass the bill.

Sincerely,

GEORGE G. CALKINS.

STOCK CONTROL BILL TO BE LIBERALIZED—CHANGES PLANNED ARE INDICATED BY SENATOR FLETCHER

WASHINGTON, March 8.—Liberalization of the Fletcher-Rayburn stock-market control bill before it is reported to the Senate was indicated today by Senator DUNCAN U. FLETCHER (Democrat, Florida). He listed the following changes as likely:

Liberalization of margin-requirement provisions to make them more flexible.

Revision of the section dealing with over-the-counter markets to make it more definite.

Exemption of railroad and municipal securities, already subject to regulation.

Grant of power to the Federal Trade Commission to exempt certain securities if advisable.

Modification of registration section.

SAN MATEO, CALIF., *March 9, 1934.*

Senator DUNCAN U. FLETCHER,
Chairman Committee on Currency and Banking,
Washington, D.C.

DEAR SIR: I am informed by the newspapers, much to my regret, that a very wide-spread and determined opposition to the Fletcher-Rayburn bill is being brought to the public's attention by means of advertisements, circulars, speeches, etc., authorized, as one might expect, by those people whose business the bill is intended to correct.

Knowing full well the evils of stock gambling and what an insidious, cankering, and pernicious scourge the stock-exchange system has been to the people at large in this country, I am here giving expression to my enthusiastic approval of the bill and to a desire to exert my endeavors in support of it. I earnestly hope that it will be enacted into law without any of its salutary provisions—the one dealing with margin accounts in particular—amended to make it less effectual. If the bill is to be changed at all, make it more drastic. I should like to see margin accounts so nearly divorced from the element of temptation that their unpopularity would all but preclude them. The poverty, misery, and moral degradation which they have caused make such a curb eminently advisable.

By means of the Fletcher-Rayburn bill you have laid the ax to the root of the tree; a tree which has grown strong and wide-spreading to cast its baleful shadow on thousands of homes throughout our land. More power to you; drive the blade deep and cut it down! The issue involved merits consideration equal to that which was accorded slavery during the administration of Abraham Lincoln. The American people can well thank their lucky stars that they have a President who, like Lincoln, has the perspicacity, intelligence, and moral courage to meet it with appropriate action.

Very truly yours,

JOHN KRUTTSCHNITT.

MARCH 10, 1934.

Senator DUNCAN U. FLETCHER.

DEAR SIR: I am a widow with four children.

My husband died in 1929, so all my investments were made at the peak, and I find myself in great difficulty trying to live on my dividends.

I have a loan at the bank and practically all my listed securities are up as collateral.

The other day I was called in and told either to pay off a large part of the loan or put up more securities. When I asked why this was necessary, they said they had to anticipate a bad slump on the exchange because of the stock-market bill you are sponsoring. I wonder if you realize how many people there are like myself who have been hanging on desperately, hoping to avoid the final blow of being sold out, but who may be ruined by such a bill as you propose? I am sure what we need is encouragement to business and confidence in the future, and if too drastic a control affects the banks adversely it will retard recovery rather than protect stockholders.

I hope the appeal from one who is in desperate straits will have some influence upon your policy.

I am an enrolled Democrat and have done all in my power to back the administration in my small sphere.

I hope that the future course of the Government will not be so radical that you will lose the support of those loyal Democrats who have the best interests of our country at heart.

Very truly yours,

ANNA C. SMITH
(Mrs. Fred W. Smith).

PITTSBURGH, PA., *May 2, 1934.*

Senator FLETCHER,
Washington, D.C.

DEAR SIR: Please consider this suggestion in regard to your bill to make better regulations for the stock exchange.

I had an order in to sell 100 shares of General Cable Preferred at the market on April 28. It was then selling at 31, and today the stock was sold at 25¾. If the only offer for the stock had been $1, I would have been sold out for that price. This is unfair, and there should be a regulation that stocks offered at the market should not be sacrificed to some ridiculously low bid. There should be no more than a dollar difference between sales or the stock should not be permitted to be sold.

This will prevent an insider from taking advantage of small dealers by grabbing market offerings with unreasonably low bids.

Even if I had inquired and learned the quotations were 25¾, by the time my order would be received in New York the order may be withdrawn and a $1 bid substituted and sold.

The suggestion of the difference between sales is, of course, subject to your opinion.

An answer to this letter will be appreciated.

Yours truly,

PHILIP MILLER.

ST. LOUIS, *March 6, 1934.*

Honored Senator FLETCHER:

May I at this late date, in the only possible way, stress the overshadowing importance of the one item which may well be termed the "crux" of all in the contemplated regulation of stock-exchange matters in the hope that it will prove of some service in your noble effort.

Very respectfully,

F. E. NIESEN.

To the Honorable Chairman and Members of Senate Banking Committee:

My 65 years of actual business career in the financial field has afforded me ample opportunity to observe and weigh the consequences of sweeping inheritance, life insurance, trust funds, savings of every kind and nature, even cherished family heirlooms, into the bottomless maelstrom of the New York Stock Exchange by so-called "margin tradings"; invariably followed by sorrow, want, default, and ruin, and finally the ready revolver, causing millions of our very best citizens to lose faith in mankind and confidence in themselves and their Government.

All the panics and depressions during that period originated in the New York Stock Exchange.

The debacle of 1929, causing the major number of our population to lose their earning power, precipitating in time the loss of the farmers purchasing power, is the prime reason for our present wide-spread depression and its prolongation.

In normal times Americans consume 95 percent of the entire surplus of farm products at remunerative prices. All is well with the farmers, as well as railroads, banking, industrial pursuit, and the wage earners then.

Pools with all their ramifications cannot get far from their base without a public following.

Unfortunately as long as such margin trading is permissible the general public either will not or cannot refrain; because it seems so easy.

Such trading, if it can be dignified by that name, is the curse of the Nation. More brain money and energy centers in the New York Stock Exchange than any other institution in the world, hence the well-organized opposition. And in order to befog the whole issue, strenuous attempts are being made to place such so-called "margin trading" on par with the purchasing of secured first-mortgage interest-bearing bonds, household goods, and other necessities, all of which at once becomes the property of such purchaser upon paying the first installment, subject only to meeting the deferred payments as and when due, in definitely fixed sums, instead of merely wagering against overwhelming odds on some equity shares subordinate to first, second, and third mortgages plus preferred stocks, in the hope and belief that they will be pushed to still higher levels with no intention of ever making any further payments, and no hope of ever even getting a glimpse at such share certificates, is the crux of all other stock-exchange evils.

No other country in the world could hope to survive it; nor need we take the shopworn "bogy" of the old Louisiana lottery too serious, as respecting constitutionality. Half-way action will not avail. The only way to cure the cancer is to cut it out.

If your committee will be instrumental in exterminating this swashbuckler, maldistribution of wealth will be reduced to a minimum and Mr. Whitney may well say, with good graces for himself and his followers, "We have fought each other hard. Thank God that we were beaten." And it will go down into history as the master stroke of American statesmanship.

Very respectfully,

F. E. NIESEN.

A veteran retired broker once said margin trading on the New York Stock Exchange is pitiful.

NEW YORK, N.Y., *May 3, 1934.*

Senator DUNCAN U. FLETCHER,

Chairman Senate Banking Committee:

If you will ask for the figures of short selling on the New York Stock Exchange during the past few days you will find out what is depressing prices. Those professional operators on the floor absolutely control the trend of the market, especially on the down side. They strike concertedly after the morning buying power is absorbed and that is causing unnecessary public liquidation. Get after them. They have already started an undermining of confidence in the administration.

A. S. BROWN, Jr.,
President Brown's Letters, Inc.,
100 East Forty-second Street, New York.

Mr. FLETCHER. There is one letter here which I should like to have read from the desk. I think the Senate ought to hear it.

The PRESIDING OFFICER. Without objection, the letter referred to by the Senator will be read.

The legislative clerk read as follows:

MCDOWELL NATIONAL BANK,
Sharon, Pa., May 2, 1934.

HON. DUNCAN U. FLETCHER,
United States Senate, Washington, D.C.

DEAR SENATOR FLETCHER: We have been following the Securities Act and the stock exchange control bill with considerable interest, and particularly have we noted the strong opposition which has been registered by those who are interested in keeping things as they were.

For the reason that we have not seen published any of the following facts, I am calling these matters to your attention:

In our opinion the Securities Act should be changed very little, if any, and the stock exchange control bill should be adopted with plenty of teeth.

We base this opinion on facts which are of record. We refer you to the CONGRESSIONAL RECORD, page 7063 et. seq., of the issue of April 20, 1934, being a brief in connection with the Northwest Bancorporation of Minneapolis, which demonstrates clearly the need for the control of stock selling.

The following figures are furnished by Standard Statistics Co., Inc.: In the year 1931, 1,075 different bond issues defaulted involving $2,047,432,950. In 1932, 1,069 issues defaulted involving $2,609,971,740; and in 1933, 862 issues defaulted involving $3,454,870,513, making a total of 3,006 issues of bonds which tied up over eight billions of money.

We do not have, in all cases, the record of when these bonds were issued; but many of them were issued during the period following 1920, and perhaps most of them after 1925.

We do not have any record of the amount of investment trust stocks, unlisted bonds, or other stocks which were marketed during this period; but we believe it is safe to assume that the total amount of money taken from the public through stock and bond issues involved somewhere near twenty-five to thirty billion dollars.

This destruction of purchasing power, including the tying up of principal as well as income, had a great deal to do with the necessity of the Government establishing media of relief.

While much has been said about foreign bonds, of the total of $8,000,000,000 listed above, only $1,100,000,000 consisted of defaulted foreign bonds. All of the rest were domestic railroad, industrial, public utility, and real-estate securities, many of which were issued either under statements which were false, misleading, or incomplete, to the extent that they concealed the real condition of the company, very much as in the case of the Northwest Bancorporation's sale of stock, as disclosed in the CONGRESSIONAL RECORD.

It was our experience to see a bond circular describing an issue of bonds, setting forth figures of earnings and conditions which were absolutely false in every particular. We had a company's statement before us showing readjustments required by the house that was to sell the bonds and showing adjustments in earnings and balance sheet made necessary by these adjustments, but the house that issued the bonds used figures before the adjustments.

In our opinion, the present Securities Act has not interfered in any way with the sale of securities. Banks generally have been liquidating and have not been buying securities; and if they had been in their market, their faith in the houses of issue has been so exhausted that they would not have bought them anyway. A restoration of confidence is necessary. Good legitimate banks are not interested in peddling securities or in stock-exchange gambling.

For our own information we have kept a partial list of defaulted bonds. We have traced the securities back to the house of issue and we have now included in that list bond issues which had no justification at any time, and the list of houses of issue includes practically every house of any consequence in the country, including banks, affiliates, and investment bankers; and we do not find any house which did not issue at least one of the class of securities which good judgment or good faith would have prevented them from handling.

We cannot, of course, judge as to the mechanics of the bills now before Congress, nor can we approve in detail the Securities Act, for the reason that we do not know the exact mechanics of their operation. However, we wish to record that we favor in principle a securities act which will compel the house of issue to tell the truth about the securities offered, and we favor a stock-exchange control bill which will not only regulate speculation but will compel corporations to publish statements which fully reveal the financial condition of the company.

We have no regard for the objection that complete statements reveal trade secrets. In our opinion, there are no trade secrets for the reason that business, as at present conducted, is operating under a spy system which makes known to each corporation all of the secrets of another.

We are writing you thus at some length, because it is our opinion that a great many people fail to express themselves, who are in favor of the bills which have been presented to Congress, while organized opposition is very vocal.

Propaganda against the bills is being carried forward at great expense and effort on the part of the opponents. Those who do not have a selfish interest do not have the means to carry on a campaign in favor of the bills, and it behooves some of us to speak up and support those who represent us.

In order that you may know that we have some knowledge of the sentiment among bankers and others, it may be of interest to you to know that the writer in 1930 served as president of the Pennsylvania Bankers Association and recently served as chairman of the bankers' N.R.A. committee for the State of Pennsylvania.

With best personal regards, I am

Very truly yours,

H. B. MCDOWELL, *President.*

P.S.—Attached hereto is a copy of a notice sent out by Chas. D. Barney & Co., below which we have listed some of the closing quotations for today, indicating the sort of club that is being used to force a change in the stock exchange control bill.

"The stock exchange bill is now on the floor of both the House and Senate. As an owner of securities you are vitally interested in how your Congressmen and Senators vote. A careful study of the bill in its present form indicates that if passed your interests may be seriously and adversely affected. Therefore we urge your immediate and vigorous protest by wire to both your Congressmen and Senators. It is important that you act now.

"CHAS. D. BARNEY & Co."

May 2, 1934, the market was off at the close; was pretty good until about 2:20 when they started to sell. Local broker had no news of any sort.

United States Steel	46
Col. Gas	14
Pennsylvania Railroad	31⅞
Republic	19¼
Baltimore & Ohio	26⅜
New York Central	29⅞
General Motors	35⅝
Chrysler	44⅞

Mr. FLETCHER. Mr. President, I think it would be helpful to the Senate if I should have printed in the RECORD an explanatory statement of the suggested amendments to the Securities Act. I, therefore, ask to have that done.

The PRESIDING OFFICER. Without objection, it is so ordered.

The statement referred to is as follows:

Memorandum: Explanatory of suggested amendments to the Securities Act.

Amendment to section 2 (1): The purpose of this amendment is to make it clear that certificates of deposit, fractional oil royalties, and similar interests are included within the definition of a security and thus subject to the Securities Act. Some doubt exists whether they are so included under the present language of the act.

Amendment to section 2 (4): The purposes of this amendment are: (1) to eliminate a guarantor from the definition of an issuer, and (2) to define the issuer of fractional undivided interests in oil, gas, or other mineral rights. The words "or persons" have also been deleted from the definition of an issuer of certificates of deposit, etc. The singular will include the plural where necessary and the express use of the plural word has caused some doubts about the Commission's interpretation that a committee, trust, or other entity, and not the individual members, is the issuer intended by the definition. By putting the status of an issuer of the guaranteed security upon the guarantor raises serious practical difficulties in connection with the filing of registration statements. The act will adequately cover guarantors and the furnishing of information concerning them without this clause. The amendment respecting fractional undivided interests in oil, gas, or other mineral rights is necessary in connection with the amendment to section 2 (1).

Amendment to section 2 (10): The purposes of this amendment are: (1) to make clear beyond any doubt the interpretation of the Commission that literature accompanying a prospectus as well as literature sent subsequent to the sending of a prospectus shall not be required to conform to the prospectus requirements of section 10 of the act; and (2) to remove from a person required to furnish a prospectus the absolute duty to see that the prospectus is received by the person to whom it is sent. It seems sufficient to require proof of the actual sending of a prospectus without making the sender take all risks of nondelivery.

Amendment to section 3 (a) (2): The purposes of this amendment are: (1) to put the District of Columbia upon a parity with the States with reference to the exemption of bank stocks issued by banks organized under the laws of the District of Columbia; (2) to exempt municipal bondholders' protective committees; and (3) to extend the scope of the public instrumentality exemption to expanding activities in which governments are indulging. The exemption of municipal bondholders' protective committees is dictated purely by consideration of expediency. These committees have generally had a good record in the past. There is far from the urge present in these cases as contrasted with industrial and real-estate organizations for committee members to take responsibility for the sake of profit, so that as a practical matter there is hesitation on the part of committee members to assume even a slight responsibility. The extension of the public instrumentality exemption is dictated by conservative decisions of courts which have refused to regard as essential governmental functions such activities as the furnishing of light, transportation, power, and even water.

Amendment to section 3 (a) (4): The purpose of this amendment is to correct an obvious error in the original act which limited this exemption simply to corporate organizations when its extension to unincorporated associations is equally defensible in practice and in theory.

Amendment adding sections 3 (a) (9), (10), and (11): This amendment has several purposes. The primary purpose of the amendment is to make clear that the exemptions accorded by the present sections 4 (3) and 5 (c) of the act extend beyond the particular transactions therein covered, to the security itself. Considerable confusion has existed on this point, and the amendment is merely a confirmation of interpretations of the sections by the Commission. The new section 3 (a) (9) incorporates the first clause of the existing section 4 (3) and makes clear, in accordance with the interpretation of the Commission, that in order that the exemption may be available the entire issue must be exchanged exclusively with existing security holders. This paragraph also affects a change which makes clear that the type of commission or other remuneration the payment of which will remove the exemption is that paid for soliciting an exchange. This conforms to the interpretation of the Commission. The new section 3 (a) (10) incorporates the second clause of the existing section 4 (3) and substantially extends the present provisions in order to cover various forms of readjustments of the rights of holders of outstanding securities, claims, and property interests where the holders will be protected by court supervision of the conditions of the issuance of their new securities. Also, such readjustments under the supervision of officials and agencies of the United States and under the supervision of State banking, insurance, and similar officials, are brought within the exemption. Thus, the amended section will afford an exemption to securities issued in connection with a readjustment of outstanding real-estate bond issues, and the exemption will also cover securities issued under the supervision of the Comptroller of the Currency, the Federal Reserve Board, and similar Federal officials, as well as State banking and insurance officials. By the requirement that securities, claims, and property interests must be bona fide outstanding, the new section will provide protection against resort to the exemption for the purpose of evading the registration requirements of the act. The new section 3 (a) (11) incorporates the existing section 5 (c) of the act and further makes clear that the exemption is not limited to the use of the mails. Thus, a person who comes within the purpose of the exemption, but happens to use a newspaper for the circulation of his advertising literature, which newspaper is transmitted in interstate commerce, does not thereby lose the benefits of the exemption.

Amendment to section 4 (1): The purposes of this amendment are: (1) to remove the phrase "not with or through an underwriter" in the second clause of the section; and (2) to correct an error in the third clause of the section; making it clear that the original date of the public offering is the date from which the year is to be calculated during which a dealer is bound to supply his customers with a prospectus. The Commission has recognized by its interpretations that a public offering is necessary for distribution. Therefore, there can be no underwriter within the meaning of the act in the absence of a public offering and the phrase eliminated in the second clause is really superfluous.

Repeal of sections 4 (3) and 5 (c): These are in accordance with the amendment provided by the new sections 3 (a) (9) (10) and (11).

Amendment to section 10 (b) (1): The purpose of this amendment is to place only a reasonable instead of an absolute duty upon the user of a prospectus 13 months after its issuance of keeping the information therein up to date. It was originally conceived that users of prospectuses could protect themselves herein by contract with the issuer, but it appears only too likely that users of the prospectus will not have the forethought, and therefore will be left in a situation where they cannot of their own accord conform with the requirements of the act.

Amendment to section 11 (a): This amendment limits recovery under section 11 for damages resulting from misstatements or omissions in registration statements to those persons who acquire securities in reliance on such misstatements or omissions.

Amendment to section 11 (b) (3): This amendment restates the existing section. It seems that the section as written, though meaning the same thing, has had an unfortunate psychological effect.

Amendment to section 11 (c): This amendment has the same purpose as the preceding amendment. The term "fiduciary relationship" has been terrifyingly portrayed. The amendment substitutes for that language the accepted common-law definition of the duty of a fiduciary.

Amendment to section 11 (e): This amendment is the most important of all. It has three purposes: (1) It permits the defendant in an action under section 11 to reduce the damages so that he will not be liable for damages which he proves had no relation to his misconduct; (2) it provides that an underwriter who does not receive any preferential treatment is permitted to limit his total liability for all suits brought under section 11 to the extent of the public offering price of the securities which he underwrote; and (3) it provides, as a defense against blackmail suits as well as a defense against purely contentious litigation on the part of the defendant, that a court can require a bond for costs and can assess costs against either the plaintiff or the defendant, where the court is convinced either that the plaintiff's suit had no merit or that the defendant's defense had no merit. The suggested amendment seems equitable.

Amendment to section 13: The purpose of this amendment is to reduce the periods of limitations on actions to one half of those at present provided by the section; and also to correct an apparently inadvertent omission by making the 5- (formerly 10-) year period of limitation on actions expressly applicable to section 12 (2).

Amendment to section 15: The purpose of this amendment is to restrict the scope of the section so as more accurately to carry out its real purpose. The mere existence of control is not made a basis for liability unless that control is effectively exercised to bring about the action upon which liability is based.

Amendment to section 19 (a): The purpose of this amendment is to permit the regulations of the Commission, under the powers conferred upon it, adequately to protect persons who rely upon them in good faith. The powers of the Commission are also extended to include the defining of technical as well as trade terms.

Mr. FLETCHER. With reference to the question raised by the Senator from Michigan [Mr. VANDENBERG] and the Senator from Illinois [Mr. LEWIS], I will ask the Senator from South Carolina [Mr. BYRNES] to refer to the specific language in the bill.

Mr. LEWIS. Mr. President, thanking the Senator from Florida, the Chairman of the Banking and Currency Committee, for the courtesy of yielding at this point in order that the Senator from South Carolina, a member of the committee, may respond to the query which I assumed to present, in addition to that presented by the Senator from Michigan [Mr. VANDENBERG], I now inform the members of the subcommittee that I am in receipt of many communications on this subject from my home in Chicago, and largely from other portions of the State of Illinois. The writers of these communications seem to be under the impression that the organization of little commercial companies which have no stock-exchange listings, and no purpose of selling stock for speculation, is covered by the bill.

I desire to give three illustrations which will serve to define what is meant.

Companies are being organized in my city to operate busses to connect with electric lines outside the big city. In the big city a number of companies are proposed for the purpose of taking over banks which have had misfortunes. They wish to issue the stock among those who are seeking to constitute the new establishment. Third, an effort is being made to build a little electric-line crossing from one village in the county to another village and thus to join the larger area of the elevated or the ground electric railway; and they fear that they are within the bill.

I take the liberty of offering this illustration in order to say to the able chairman of the committee that those undertaking similar measures seem to fear that this bill will prevent their organization, and are saying to me that it will destroy the prospect of their incorporation for the aid of their own interest in such manner as I have described. I ask the able Senator, following with my query that of the Senator from Michigan [Mr. VANDENBERG], if the bill covers such a situation and works such an embarrassment as these who write me seem to fear it does.

Mr. BYRNES. Mr. President, if I understood the Senator from Illinois correctly, he referred to the organization of companies——

Mr. LEWIS. And selling their stocks among themselves.

Mr. BYRNES. And selling their stocks. There is nothing in the bill so far as I know that would in any way affect it. I was under the impression that the Senator desired to know whether or not such corporations would be required to file reports.

Mr. LEWIS. Yes; that was the second query, I may say, and I am pleased to have the Senator answer it now.

Mr. BYRNES. The language of the bill in section 13 is:

> The Commission may require every issuer of a security registered on a national securities exchange to file with the exchange and with the Commission * * * in such form and detail * * * as may be prescribed—

The information thereof is then set forth. There is no provision requiring a corporation which is, as the Senator states, listed on no exchange to file a report. The only language I know of in the bill which could give justification for the fear that that might be true is the provision in section 15, called the "over-the-counter markets" section, in which it is provided that—

> Rules and regulations may provide for the regulation of all transactions on any such market, for the registration with the Commission of dealers and/or brokers making or creating such a market—

And so forth. I do not even construe that language as giving to the Commission the power to call upon corporations whose stocks are dealt with in that manner—the small corporations cited by the Senator from Illinois—for the reports which are specifically required by section 13. That certainly is my construction of the bill, because it refers to those corporations whose stocks are listed upon some national securities exchange.

Mr. VANDENBERG. Mr. President, will the Senator yield to me?

Mr. BYRNES. I yield.

Mr. VANDENBERG. The Senator realizes, however, that section 15 refers to unlisted securities.

Mr. BYRNES. Yes.

Mr. VANDENBERG. And the language textually permits the Commission, in terms, to provide rules and regulations which will "insure to investors protection comparable to that provided by and under authority of this act in the case of national security exchanges."

Mr. BYRNES. Yes. I have said, in response to the question of the Senator from Illinois, that I could think of no language that could possibly have caused this impression on the part of those who have written to the Senator, unless it was the language in that section where the language gives to the Commission power to adopt rules and regulations to control a transaction. It does not refer to the submission of reports, and I do not believe could be accurately construed to include such powers, but it does give the Commission the specific power to control the transactions referred to in section 15, the so-called "over-the-counter" market transactions. There is no doubt about that.

Mr. VANDENBERG. Mr. President, will the Senator yield further?

Mr. BYRNES. Certainly.

Mr. VANDENBERG. In a colloquy I had with the able Senator from Florida [Mr. FLETCHER] some time ago, he stated his belief that it was not the purpose or intent or desire to extend the authority of the act into purely localized industrial financing.

Mr. BYRNES. It was not the intent. I will say to the Senator that this good day is the first time those of us who have been charged with the consideration of the bill have heard of the proposal that section 15 would extend the powers which are specifically provided for in section 13 so as to require reports. The Senator is correct; it was not so intended, so far as I know.

Mr. VANDENBERG. Entirely aside from the question of reports, how about the intended control of the sale of purely localized industrial securities?

Mr. BYRNES. As to the language here, I think there is a very good reason for the provisions of this section, because the purpose of the bill is to seek to regulate the character of trading in stocks, which has been so well described by the chairman of the committee. I think the Senator from Michigan may well see that when Congress seeks to place its regulatory powers over these corporations, they might promptly delist from the exchange. The language of section 15 is calculated to cause those corporations to remain upon the exchange because it will let them know that they will be subject to regulation, either on the exchange, or if they try to avoid the regulatory powers provided for in the bill and endeavor to have their securities traded in over the counter, they will meet the same regulation.

If the Senator asks about the small, purely local corporations, of course, there was no intent to injure or handicap such corporations at all, and I do not know of any section in the bill that would so result.

Mr. VANDENBERG. Mr. President, of course I should not want to open the back door to the delisting of the securities to which the Senator refers, and I fully understand the necessity of keeping that door closed. At the same time, if it were possible, without reopening that back door, to exempt the purely localized, the secondary financing, it seems to me it would be helpful in allaying a great deal of discontent.

May I ask the Senator this specific question—and the suggestion comes to me from my own able colleague [Mr. COUZENS]—might it not be possible to exempt from this section corporations, let us say, whose total outstanding securities do not exceed $250,000, or something of that character?

Mr. BYRNES. Certainly, so far as I am concerned, I should be delighted to join with the Senator in a provision

which would limit it, and make certain that the intent should be carried out.

The Senator from Kentucky suggests to me, and it is undoubtedly correct, that under the bill the Commission is given the power to take care of the matter, and, of course, we assumed that the powers granted would be administered with some wisdom, and that in adopting rules and regulations, the situation referred to would be taken care of. However, if the Senator feels that it would be unwise to place that confidence in the execution of these powers in that way, and he wants specifically to provide for it, I should have great sympathy with his desire.

Mr. VANDENBERG. In other words, what I am discussing does not run counter to the Senator's conception of the purpose of the proposed legislation?

Mr. BYRNES. No; our theory was that the Federal Trade Commission, or the stock-exchange commission, as one may choose to call it, would never seek to extend its powers to control local corporations of the type referred to; but if there were any general fear that that might result, we should be willing to have the language of the bill changed so as to take care of that matter.

Mr. BARKLEY. Mr. President, will the Senator yield to me?

Mr. BYRNES. I yield.

Mr. BARKLEY. I will ask the Senator whether it is not true that one of the reasons which actuated the committee in dividing the securities into two categories—one listed securities and the other unlisted, and fixing in the law itself the character of reports which must be made on listed securities and leaving in the discretion of the Commisson the regulaton of unlisted securities—was in order that the Commission might take into consideration not only the size of the corporation, so far as its outstanding stock is concerned, but all the circumstances connected with it, in order to determine whether there ought to be any regulation applying to a given type of corporation, or whether it should not be exempted entirely by the regulation.

One objection which occurs to me to the suggestion of the Senator from Michigan with reference to the fixing of a limit of $250,000, or any other limitation, is that we all know that not only on the exchanges listing stocks, but even in connection with unlisted stocks of quite important corporations, oftentimes the outstanding stock is small and is closely held, and is, therefore, easily manipulated. I might mention certain stocks listed on the New York Stock Exchange of which not more than $250,000 worth is outstanding, and because of the small number of shares, and the closeness with which they are held, it is easy to manipulate the prices of such stocks on the stock exchange, and run them up and down, by the sale of a small number of shares.

The difficulty we might find, I think, in fixing a limitation in the law itself as to the amount of outstanding stock, providing in the law that it should not be subject to any regulation at all, would be that we might run up against that very situation. That is why I think it important that the commission be given full power and freedom to survey the whole situation as to unlisted stocks, large and small, and make regulations according to the circumstances and conditions which they find from their investigation.

Mr. KING. Mr. President, will the Senator yield?

Mr. BYRNES. I yield the floor.

Mr. BARKLEY. If I have the floor, I yield to the Senator.

Mr. KING. I might state, in the light of the suggestion made by the Senator from Michigan [Mr. VANDENBERG], that it is quite customary in these days for corporations to issue stock of no par value, and their nominal value might be insignificant, yet the real value of the stock might mount into colossal figures.

Mr. BARKLEY. That is undoubtedly true, and that would make it more difficult to fix a limitation as to outstanding stock as a criterion for regulation by the Commission, so far as unlisted stocks are concerned.

Mr. BORAH. Mr. President, is it not the Senator's construction that as the language now reads, it would be within the jurisdiction or discretion of the Commission to consider the size of corporations?

Mr. BARKLEY. It would be; yes.

Mr. BORAH. And include purely local corporations?

Mr. BARKLEY. Yes; if those local corporations were having their stock traded in in what are called "over-the-counter transactions." Of course, there are thousands of small corporations, organized in small towns, where the stock is altogether owned by local people, where everybody knows the business of the corporation, where a man who holds 100 shares of the stock can go to the bank in the town which knows about the success of the company and borrow money on the stock and put the stock up as collateral.

It is inconceivable that any sort of a commission would undertake to reach out and bring under its jurisdiction any such local corporation, where the stock is locally held, not traded in on any exchange, not active in over-the-counter transactions. It is inconceivable that any commission would want to bring such companies within the power of regulation to the same extent they would a $1,000,000 or $5,000,000 corporation which did not happen to be listed on the New York or any other exchange, but which might be manipulated, as Wiggin manipulated some of his stocks which were not listed on any exchange.

Mr. BORAH. It does seem true that the Commission would not likely do that; but it could do it, under the bill?

Mr. BARKLEY. It could do it; undoubtedly that is true. But if we attempt to take away from the power of the Commission to do what in all probability it never would do, we may very materially handicap it in crippling its ability to do what it ought to do with reference to some other company.

Mr. KING. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. KING. Did the committee take into consideration the question of the authority of the Federal Government to deal with transactions which are confessedly and certainly local in character? What authority does the Federal Government have to deal with a little company, formed in a small town, a little sheep company or a little cattle company, for instance, where A, B, C, and D subscribe for a thousand dollars' worth of stock apiece, and form a little corporation, and the stock is issued to them, and which they are not attempting to dispose of or sell, and yet which they may sell? What authority has the Federal Government to control such a company?

Mr. BARKLEY. The committee considered that question. Of course, it is not necessary to write into every statute a provision that it shall not apply to purely intrastate business. As a matter of fact, this proposed act is, in part at least, based upon the power of Congress to regulate commerce. It is difficult now to conceive of even a small corporation which may not engage in interstate commerce. The fact that a corporation is locally owned, all of its stock owned in a given town, does not mean that it will not sell stuff in interstate commerce or ship commodities across a State line; and if it did so, it would, of course, be subject to the power of Congress to regulate it. Our business has become so largely interstate, and so complex and intricate, that it would be the smallest of local corporations organized for some definite local purpose which would not possibly come within the power of Congress to regulate as being engaged in interstate commerce.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BYRNES. I intended to respond to the Senator from Utah, but I see he is busy. I call attention to the fact that in the very section to which the Senator from Utah was referring, the language of the bill is that—

> It shall be unlawful for any broker or dealer, singly or with any other person or persons, to make use of the mails or any other means or instrumentality of interstate commerce—

To create a market.

Mr. BARKLEY. That language presupposes that this bill is intended to regulate, insofar as Congress can regulate, securities of companies which are engaged in interstate commerce; and the mails and the facilities of interstate commerce are withdrawn from any such company which undertakes to engage in the business contrary to this proposed law or the regulations which may be made under it.

Mr. FLETCHER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. FLETCHER. I call attention to section 3 of the bill, pages 6 and 7. The Senator from Utah raised the question about the power of the Commission. I do not know whether or not that section has been mentioned. I read:

(12) The term "exempted security" or "exempted securities" shall include securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States; such securities issued or guaranteed by corporations in which the United States has a direct or indirect interest as shall be designated for exemption by the Secretary of the Treasury as necessary or appropriate in the public interest or for the protection of investors; securities which are direct obligations of or obligations guaranteed as to principal or interest by a State or any political subdivision thereof or any agency or instrumentality of a State or any political subdivision thereof or any municipal corporate instrumentality of one or more States; and such other securities (including unregistered securities, the market in which is predominantly intrastate) as the Commission may, by such rules and regulations as it deems necessary or appropriate in the public interest or for the protection of investors, either unconditionally or upon specified terms and conditions or for stated periods, exempt from the operation of any one or more provisions of this act which by their terms do not apply to an "exempted security" or to "exempted securities."

In other words, the Commission is required to exempt the securities which are handled in the manner therein described.

Mr. BARKLEY. That would be true even though part of the securities were sold or handled in interstate commerce. If handled predominantly intrastate, the Commission may have the power to exempt them, along with other securities which they may exempt because of their local character, or the small amount handled?

Mr. VANDENBERG. It is largely in the discretion of the Commission.

Mr. BARKLEY. It is largely in the discretion of the Commission, the direction to the Commission being as to what securities shall be exempted which are predominantly intrastate.

Mr. LEWIS. Mr. President, the Senator from Kentucky, responding to a portion of the inquiry directed by the Senator from Utah, correctly embodied in his observations the situation in Illinois as reported in correspondence to me which I sought to express a moment past; that is of the small company, either now existing or to be formed within the State, having for its real object the ownership of a small business, such as a little railroad running from a village to the main line, or a little bank, to be owned only by those who are its stockholders. I feel that they fear the danger to them is that before they can undertake the business, whatever it is, they must first get the consent of the Commission, and, second, that in attempting to issue stock they would be restrained in the action by virtue of the fact that it is assumed the Commission might interrupt them.

Is there not some way to express in the bill their exemption from having to get their authority from the Commission, providing they have certain limitations?

Mr. BARKLEY. I will say to the Senator that that fear, expression of which has come to all of us through letters inspired in part, at least, by some of those who do not want any regulation at all of stock-market transactions, is without the slightest foundation, insofar as it affects the organization of companies anywhere, either in small towns or in large towns. There is nothing in the bill which gives the Commission any power over the organization of corporations.

Mr. LEWIS. How about the selling of the stock, may I ask my able friend?

Mr. BARKLEY. A new corporation is organized, and its stock is listed on a registered stock exchange such as the New York Stock Exchange, or the Curb Exchange, or the Chicago Stock Exchange, or smaller local stock exchanges all over the country, which deal in local securities, as well as Nation-wide securities, if I may so term them. It is, of course, conceivable that the regulation of stock-market transactions in such securities might indirectly affect their salability, but only insofar as it may require the issuing company to expose to the stock exchange and to the Federal Commission the real condition of the security which is proposed to be sold.

It seems to me incredible that anyone should fear that the telling of the truth to the Federal Commission here in Washington, or to the New York Stock Exchange, would materially lessen the opportunity to sell stocks, unless the telling of the truth and the exposition of the facts would be of such a nature as would warn the people that such a stock ought not to be dealt in in any way.

With reference to unlisted securities, it is conceivable, of course, that a set of men might be appointed on a commission here in Washington who would hedge about the sale of unlisted securities with such restrictions as to make it more difficult to sell them; but it is inconceivable to me that any intelligent body of men, such as we might expect the President to appoint and the Senate to confirm, would so hedge about the sale of unlisted securities of local corporations in your town and in mine as to affect adversely, or at all, the sale of stock of small local corporations.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BYRNES. I will say to the Senator from Illinois that I think his correspondents have in mind not really the requirements of this bill but the requirements of the Securities Act of 1933, because the Senator speaks of the organization of a company and the issuance of stock, and the effort to sell stock of that company. If in so doing an attempt is made to use the mails or the instrumentalities of interstate commerce, the company must comply with the requirements of the Securities Act of 1933. That, however, is an entirely different thing from the terms of this bill; and, unfortunately, many business men in the country have confused the provisions of the two measures. This bill applies only to the registration upon the exchanges of the country, and only to stocks that are registered upon exchanges.

Mr. LEWIS. I beg to say to the Senator from Kentucky, which might aid him to make explanation to my able friend the Senator from Michigan and myself, that I happen to know two or three of the prospects. The companies to be formed are owned among the stock owners themselves. They have bought the stock. The owners of the company are building an electric railroad, we will say, leading from a large town to a small town, or are engaged in the opening of a bank which had previously failed; and such company is only to be owned by those who themselves own the stock of the company, and they themselves have paid for it. Their contention is that though the stock is not listed and not to be sold on the market, nevertheless they could not transfer their stock one to the other in a transaction where they owned the property themselves without the consent of this Commission. Am I wrong?

Mr. BARKLEY. I will say that the Senator is wrong there. That is, he is not wrong in saying others have a fear of that sort; but I will say that they are wrong in their fear.

Mr. LEWIS. I mean, are my people wrong in that fear?

Mr. BARKLEY. The Senator's people are wrong in their fear. If there is to be organized a new company, ab initio, to engage in interstate commerce, it must present certain facts to the Federal Trade Commission in order to receive permission to issue its stock, but not if it is engaged in intrastate commerce, if it operates in its own village. I am speaking of the Securities Act, which is already the law.

There is no change in this bill in the requirements of the Securities Act, unless the Senator from Florida should have his amendments adopted, which I think are meritorious; but the Senator from Illinois must not confuse this bill with the Securities Act which is already in effect. The issue of securities, whether of a new company being organized from the beginning, or whether of new stock which an old company is issuing to place upon the market, requires that such information shall be filed with the Federal Trade Commission before the stock may be issued, and the issue must be approved in a sense by the Federal Trade Commission. That is one thing.

The sale of stock locally from hand to hand in a community by the prospective president of a new corporation which is being organized for some local purpose, when solicitation is being engaged in among the people of the town to subscribe for a certain portion of stock, would not be regulated by the Commission sitting in Washington, unless we are to assume that the Commission would go entirely beyond the bounds of reason, and that its conception of this bill is that it must use the restrictive force of the Government relative to every share of stock which may be issued by any little corporation organized for any local purpose.

Mr. LEWIS. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. LEWIS. The matter I described to the able Senator, I would have him understand, is not within the intent of the bill, not within the spirit of the bill; and, if it should happen, it would be by the unintentional misconstruction by the Commission of the intent of the bill.

Mr. BYRNES. I will say, Mr. President, that that applies even to the Securities Act of 1933. The provision of the law applying to the case cited by the Senator from Illinois is found in section 5 (c):

> The provisions of this section relating to the use of the mails shall not apply to the sale of any security where the issue of which it is a part is sold only to persons resident within a single State or Territory, where the issuer of such securities is a person resident and doing business within, or, if a corporation, incorporated by and doing business within, such State or Territory.

So, under the facts as stated by the Senator, even the Securities Act of 1933 would not apply; but if the security is sold in interstate commerce, or the mails are used, then it would apply.

Mr. BARKLEY. It was not the intention of the Securities Act itself to deal with the issue of securities of small local companies, such as, for instance, ice companies and small lumber companies which are locally organized, and whose business is restricted to local communities. Of course, it is conceivable that such a company, originally organized for local purposes, might expand until it became an important factor in interstate commerce; and then, of course, the Securities Act would apply and this act would apply, insofar as the Commission might see fit to issue general regulations which might cover it if it were engaged in interstate commerce and its securities were predominantly sold in interstate commerce.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. VANDENBERG. In view of the fact that the Senator says that such things as we have been discussing probably would not happen anyway, and in view of the statement by the Senator from South Carolina and the Senator from Florida that they would have no objection to a limitation of the sort I have indicated, may I ask the Senator from Kentucky if he would not be willing in his behalf to allow an amendment of that nature to go to conference for further study?

Mr. BARKLEY. Of course, I can only speak for myself.

Mr. VANDENBERG. I am asking for the Senator's own viewpoint.

Mr. BARKLEY. I cannot speak for the Senator from Florida and the Senator from South Carolina or the committee, but, personally, I would rather think over the possibility of such an amendment before suggesting that it go into the bill or even go to conference. I know of an important concern engaged in interstate commerce whose outstanding stock is more than the amount suggested by the Senator from Michigan which by other means, either by the issue of bonds or other forms of capital investment or by the accumulation of surplus, may be able to control a considerable amount of money, above $250,000, which is represented by the mere outstanding stock; and, as suggested by the Senator from Utah [Mr. KING], many companies now issue millions of shares of stock with no par value at all. I do not know how we would limit the jurisdiction of the proposed commission over the stock of such companies as that, where there is no par value, there is no way of estimating the real value of the stock. It may have a book value; it may have a value upon some exchange, if it is registered, but I know of no way by which a commission or any agency of the Government could definitely arrive at the value of millions of shares of stock which have been issued with no par value whatever attached to them.

Mr. LEWIS. Mr. President, my amendment has this qualification—and I may ask the Senator from Washington to heed the suggestion—where there is no listing of a stock for sale, and where there is no interstate-commerce transaction, Could not that be placed in the bill as a specific qualification to compose the minds of people who may be fearful?

Mr. BARKLEY. Of course it could be, but the effort to exempt by language in this bill every conceivable situation which may arise is subject to the objection, in my judgment, that we would be taking away from the Commission, which is to be set up, the flexibility which it should have to regulate very largely the sale of unlisted stocks in such a way as to cripple the efficiency of the proposed act, because if we can eliminate one situation by an amendment there are hundreds of them that we can think of that ought to be similarly eliminated.

Mr. STEIWER and Mr. DILL addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Kentucky yield, and if so, to whom?

Mr. BARKLEY. I yield first to the Senator from Oregon.

Mr. STEIWER. I merely want to make a suggestion. Is it not appropriate, in order to calm the fears of those who now raise the question as to the inclusion of small intrastate corporations, to say to them that the bill by its terms does not and cannot reach such corporations. In the first place, this bill deals with stock exchanges, and with the regulation of the over-the-counter market. The very least corporation, if it should seek to list its stock upon the stock exchange, would be obliged to comply with this proposed law. That might be so even though it were an intrastate institution, because the stock exchange may be engaged in an interstate business and the intrastate operation comes in quite incidentally.

I think, therefore, the very least corporation might subject itself to regulation under this proposed act if it should seek to sell its securities over the counter. But unless the stock crosses the threshold of one of these institutions or the other, it is not affected by the proposed law, whether it be a big institution or a little institution. Our friends, therefore, who are borrowing trouble for fear that this proposed law is going to affect adversely the little intrastate institutions, may very well quiet their fears, for unless they seek to sell their securities at some place in a way that comes within the act they are wholly unfounded.

Mr. BARKLEY. I appreciate what the Senator says. We have got to keep fairly in mind the difference between the actual physical operations of a corporation doing only an intrastate business and the placing of stock of such a corporation upon an exchange which is an interstate institution.

Mr. STEIWER. That is true.

Mr. BARKLEY. There may be a lumber company in the Senator's State which does not sell a foot of lumber outside of Oregon or does not buy a foot on the outside and ship it into Oregon, and yet if it registers its stock on the New York Stock Exchange or some other exchange outside the State it becomes, of course, subject to this proposed law and is regulated as an interstate institution. I doubt whether it is practicable to write into the bill language that would exempt a possible situation in order to calm the fears of people, admitting, as I think, that the fears have been groundless and that they have been rather conjured up by those who have been seeking to use this possible situation to create fear so that there might be opposition to this bill in any form.

Mr. STEIWER. There may be some ground for fear, and I should like to discuss that question at some later and more appropriate time; but, as far as the immediate question is concerned, I feel there is no substantial ground for

contending that the small intrastate institutions need have any fear, because, literally, they are not covered by the proposed act.

Mr. BARKLEY. No; that is my contention.

Mr. DILL. Mr. President——

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Washington?

Mr. BARKLEY. I yield.

Mr. DILL. I have communications expressing the belief that under the language of the bill as written, corporations of all kinds with any established interstate business will be called upon to make reports to the Commission. I am not sufficiently familiar with the bill to say whether or not that is true, but, it seems to me, if there is any doubt, the language ought to be clarified, for certainly the determination of whether a corporation comes under this bill should be on the basis of whether its stocks are put on the market. If they are not, there ought to be no question as to the situation.

Mr. BARKLEY. I will say to the Senator in that connection that with reference to listed stocks reports are required and there cannot be any question about the propriety of such a provision.

Mr. DILL. Absolutely none, and I have no objection to that.

Mr. BARKLEY. I contend—and I do not think anybody can successfully contend to the contrary—that where any stock is registered upon a national stock exchange, as to which stock millions of people have no way of knowing the condition of the company, of knowing anything about its balance sheet, of anything about how much it earns or of knowing anything about the salaries paid its officers, they certainly have the right to go to some public place and to inquire of some public institution the condition of that company as a prerequisite to their engaging in the purchase of its stock.

Mr. DILL. I have not any question at all about that.

Mr. BARKLEY. That is one side. We have in our investigation disclosed situations affecting stock of large companies not registered on any stock exchange, but dealt in what they call "over-the-counter transactions", which, of course, are more or less vague.

Mr. DILL. I agree that they ought to report, but I am talking of those that do not engage in over-the-counter transactions.

Mr. BARKLEY. There is nothing in this bill, as I understand, that requires any corporation whose stock is not sold either on a registered exchange or in an over-the-counter transaction to make any kind of a report to the commission proposed to be set up by the measure.

Mr. DILL. Then, there certainly could be no objection to a proviso stating that this bill does not apply to any such corporation.

Mr. BARKLEY. Of course, that brings up the question——

Mr. DILL. If the Senator's statement is correct, there should not be any objection to that, and the very fact that the Senator is objecting to such a proviso makes me fearful that there is some question.

Mr. BARKLEY. Not at all. The trouble is there have been many groundless fears created in the minds of people all over this country by men who are not in favor of any kind of stock regulation—and they are perfectly honest fears, I grant—and if we should undertake to calm every fear on the part of everybody in this country by writing a sentence that would calm such fears, we never would understand what our bill means.

Mr. DILL. The very hesitancy of the Senator to accept some provision to clarify what he and I agree on is, it seems to me, to justify their fears.

Mr. BARKLEY. I hope the Senator will not assume that my hesitancy to accept an amendment suggested by him on the spur of the moment is actuated by any insidious desire on my part to clutter up this bill with language that cannot be understood.

Mr. DILL. I do not impute any insidious desire to the Senator from Kentucky.

Mr. BARKLEY. The trouble about it is, as the Senator as a legislator knows, in trying to exempt everybody who feels that, although he is probably by the language of the bill not included, somebody after a while may interpret him to be included, that we might unwittingly exempt many people who ought to be included. That is the difficulty about it.

Mr. DILL. The Senator is a lawyer, and he knows that lawyers can make words mean almost anything. If it is the intent of this bill not to include corporations whose stock is not registered on an exchange or not dealt in over the counter, of course, if that is the intent, he, as a legislator, only has to write it in the bill so that there cannot be any question.

Mr. BARKLEY. Section 2 of the bill itself says that only those are included in the proposed law. Why should anybody imagine that someone else will be included in it?

Mr. DILL. The language is at least doubtful.

Mr. BARKLEY. This proposed law and no other law attaches to anybody to whom it does not apply by its terms.

Mr. GLASS. Mr. President, the mere fact that a stock is registered shows that the issuer of the stock intended it to be interstate commerce. The very fact that it is sold over the counter means that he intends it to be interstate commerce.

Mr. BARKLEY. It would be somewhat like passing a law dealing with black cattle and then for some man having a white cow, fearing that it might apply to his white cow, insisting that language be written in the act that it shall not apply to a white cow.

Mr. BLACK. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BLACK. I have just read the bill rather carefully, and the only provision I find with reference to reports is in section 13 (a). It specifically states as to what the report shall be made. It says:

> The Commission may require every issuer of a security registered on a national securities exchange to file—

And so forth. That is all I have found relating to any requirement.

Mr. BARKLEY. There is a general provision in section 15.

Mr. BYRNES. Mr. President——

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from South Carolina?

Mr. BARKLEY. I yield.

Mr. BYRNES. The only difficulty that has been brought out in the discussion is that in section 15 it is provided that the Commission may prescribe, where necessary in the public interest and to insure protection to investors, certain rules and regulations, and that such rules and regulations may provide for the regulation of all transactions on any such market.

Mr. BLACK. That is the over-the-counter market?

Mr. BYRNES. Yes; and because it is provided in the section that for the purpose the Commission may make special rules and regulations in respect to securities of specified classes, a fear has been expressed that the Commission might seek to make the same regulations, in order to register a stock which has been dealt in on the over-the-counter market, as are required for the registration of stocks upon the exchange. I think such a fear is not justified. It is a fear expressed by the Senator from Michigan [Mr. VANDENBERG].

The provision giving to the Commission the power to adopt rules and regulations for the regulation of transactions on the over-the-counter market must refer to the first language in the section, where it is provided that it shall be—

> Unlawful for any broker, singly or with any other person or persons, to make use of the mails or any means or instrumentality of interstate commerce for the purpose of making or creating, or enabling another to make or create, a market.

That is the language. If they do that and make a market, then they engage in interstate commerce, and then the Commission has the right to prescribe rules and regulations. It does not require the Commission, in establishing such rules and regulations, to go into the details set forth as to stocks listed upon an exchange, but leaves it entirely with the Commission, so that they may differentiate as between stocks or securities and may not require it.

I do not share the fear of the Senator from Michigan has expressed nor the fear the Senator from Illinois [Mr. LEWIS] has expressed. I said that, as far as I am personally concerned, if an amendment were drawn specifically to provide it was not to affect intrastate sales of stocks, in order to take care of the situation which the Senator from Illinois had in mind, of a little bank being organized and the stock being sold in the community, I would see no objection to adopting such a provision. Such a situation certainly is not covered, and such an amendment would have to be carefully drawn for fear it might do some injury that we really did not anticipate.

Mr. BARKLEY. That is what I had in mind a while ago when I suggested that any such amendment ought to be very carefully considered, because in undertaking to do what all of us have in mind as the object of the bill, we might let somebody out of a loophole that ought not to be left out.

I have no desire to occupy the time of the Senate longer, and therefore yield the floor.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

PROHIBITION OF LOANS TO DEFAULTING NATIONS

Mr. JOHNSON. Mr. President, I apologize for this intrusion for a very brief diversion. I am not very often guilty of such a thing, but because of recent events I feel it not inappropriate to devote a few minutes to endeavoring to clarify a situation concerning a measure which has become a law and some of its provisions and what may eventuate in the very near future.

The Congress enacted a law, the President signing it, concerning foreign debts, prohibiting the sale of foreign bonds and securities and obligations of foreign countries which are in default to the Government of the United States. Wittingly and unwittingly there have been much misapprehension and some misrepresentation concerning that measure, its possibilities, and what it may do in the future. It is to those who unwittingly have misunderstood or misrepresented the measure that I address myself, not to that part of the press of the country which responds always to those nations which are indebted to us, and is ever endeavoring to aid them before the American public with poisonous propaganda published with intent to misrepresent and mislead.

Mr. President, a very brief history of the measure may account for some things in respect to it. A gentleman was traveling in Europe a year or two ago, one whom most of us know, and, I think, know quite favorably. He met on every side hostility. He met with sneers and jibes at our country and the debts which are due from foreign countries to ours. In something of exasperation one day he wrote me that there ought to be some mode in which we would express our will or our displeasure, some mode by which we would preclude the possibility in the future of that occurring which had occurred in the past. His letter describing exactly what he had come in contact with impressed me immensely, and I endeavored then, long ago, to present a measure to the Senate which would prevent individuals in this country selling the securities of those countries which had defaulted on the debts they owed us.

The measure was brought into the Senate infinitely broader than the measure that finally became the law and was signed by the President. It came before the Judiciary Committee. The Judiciary Committee reported it favorably. It came then to the floor of the Senate and, with practically no debate, it was passed as the calendar was called one day. Subsequently the distinguished Senator from Arkansas [Mr. ROBINSON] moved to reconsider the vote by which the bill was passed, and for a month or more we were in conference concerning amendments which were suggested to the bill in order that it might meet, as I understood, and as he did, I believe, all the views of all those who might be affected by it in our country and who were interested in its ultimate enforcement.

Finally the bill was amended, exactly as was asked; and thus amended, curtailing and limiting in a great degree its original purpose, it passed the Senate, went to the House, finally there was heard by the committee, passed the House, and was signed by the President of the United States and became a law.

That, sir, is a little of the history of the measure. Before the measure became a law, however, many months—indeed, in November last—token payments upon the debt of Great Britain were made by that country. Those token payments were accepted by the President of the United States. When the President accepted the token payments he made a public statement to Great Britain and to our country, a public statement where his words were measured, I take it, from their character, in which he said that he would not look upon the failure to pay the entire obligation then due as a default. His words were these:

> In view of these representations of the payment and of the impossibility at this time of passing finally and justly upon the request for readjustment of the debt, I have no personal hesitation in saying that I shall not regard the British Government as in default.

That statement was made on the 7th day of November 1933. Long subsequent thereto the particular measure was passed. It then came before those who were dealing with the subject matter for construction. Subsequent to the time the President made this statement in the words employed by him I said to the committee of the House, which queried me upon the subject when I appeared there in support of the bill, that I could not agree with the President in the view he thus presented; but I added, of course, that my view was of little or no consequence in the light of the views expressed by the President, and that his words undoubtedly would prevail.

Thus, the measure came to a determination and a construction by the Attorney General of the United States last Saturday; and the Attorney General of the United States, in accordance with the words which were stated by the President in November last, held that Great Britain was not in default because of the acceptance of the token payments and because of what had transpired during that particular period.

I have no quarrel with the decision rendered by the Attorney General. It is immaterial to me now what may have occurred in the past, and it is immaterial to me whether the view I entertained last November and have entertained ever since, at variance with that expressed in November, is the view that should prevail or be adopted by the Attorney General. That is gone; but there is another phase of this matter that is of extraordinary importance.

There is now impending another installment due upon her debt by Great Britain. Next month that installment will become due. Since the words of the President, since the various circumstances he detailed in his statement last November, this act has been passed; and this act, plain and unambiguous in its terms, states exactly the conditions under which there would be a default.

It would be silly to contemplate a prosecution of anyone after the November statement by the President in accepting the token payments and after the President's construction of those token payments, no matter how we might disagree with what might be said by the President in that regard; but, sir, a different situation and a different set of circumstances will confront us in June next, only a month from now; for the act in so many words describes when a default is an actuality on the part of the nations that owe us, and provides in substance that it occurs not only when there is no payment of its obligations, but also "or any part thereof."

I take it, therefore, Mr. President, there is an end of token payments. I take it, therefore, Mr. President, that the question of token payments next month cannot and will not arise; and I take it, Mr. President, that anyone who would be bold enough, after a payment of seven or seven and a half or ten or fifteen million dollars in silver upon a very large indebtedness, to undertake to sell the securities or the obligations of that particular government in this country would come within the plain provisions of the law, and would be guilty of a violation of those plain provisions.

So, Mr. President, we need not think of the past, nor need we assail the opinion that has been rendered by the Attorney General, nor need we comment upon what was said by the President in November 1933. Next month we will have the determining factor, and next month this statute will be effective in precluding the possibility of sale of the securities of any country which is in default on the whole or any part of its indebtedness.

In passing, let me just suggest what a perfect absurdity it is to accept now a token payment by a government which boasts to the world that its financial condition and position are better than those of any other country on the face of the earth, and boasts to the world that not only has it balanced its budget but that it has a very large surplus to its credit as well! A token payment of seven and a half million dollars or ten million dollars, as the case may be, or a small moiety upon its debt under such circumstances, would be simply a fraud, a farce, and a delusion; and we may consider, I take it, sir, in view of the facts which have transpired, that there will be an end of token payments, and the law will be wholly effective next month.

I cannot understand, Mr. President, and I do not try to understand, that part of the American press which indulges not only in its hostility to but in its denunciation and its vilification of any man who dares stand here or in any other place to say a word about the debts that are justly due to the United States from foreign countries; and yet there is a part of the press of this country which was aptly once designated the "Foreign Legion press of America", that is engaged in propagandizing against its own country and for foreign nations day in and day out.

Today, in the eyes of that part of the press, it is a disgrace to be an American, or to claim an American's rights. Only recently I was shocked to read in one of the great newspapers of the land a leading editorial concerning this small act which was designed for the protection of our people—shocked to read its designation of that act and its characterization of it. I read, in order that I may not be in error in the quotation, a portion of a leading editorial of the New York Times of Monday, April 16, 1934. It related to "Students and War", and in the course of it the editorial said some things about this particular measure of ours; and the things it said that shocked me were that this little bill by which we forbade the sale in our country of the securities of those countries that had defrauded us was a cause of war. The precise language is:

> Look at the parochial-minded bill which the President has just signed, closing American money markets to every nation—or to groups within it—which has not paid all of its public debt to the United States. Across it is written, although as yet in invisible ink, the ominous words "casus belli."

Just imagine a great American newspaper saying that a small penal statute of this character, justified by the events that had occurred in respect to debts due the Government of the United States, was a cause of war! How can it be possible for any American newspaper thus to characterize a measure of this sort?

This is not the first time in the history of the world that credit has been denied to nations that defaulted in their payments to other nations. It is not the first time in the history of the world that an effort has been made to prevent subsequently the flotation of securities of the nations in default. The historic one is described in the very interesting work of Mr. Edgar Turlington, on the Mexican debt situation. I find that many years ago when Mexico, small and unable to defend itself, defaulted to British bondholders—not to a government—they took the matter in hand so that upon every bourse in all Europe Mexico was denied credit or the right to sell any of her securities.

I read two or three excerpts from that book:

> On January 12, 1874, Foster—

Who then represented our country in Mexico—

> in the absence of official relations between Great Britain and Mexico, introduced to President Lerdo in an unofficial manner, John Geiger, representative of the London Corporation of Foreign Bondholders.

They are a little more delicate over there concerning their bondholders who have been swindled than we are over here, perhaps. Over there, when there are debts that are due to bondholders of Britain, they take very good care, by their bondholders' associations, to endeavor to render some aid to those who have suffered at the hands of defaulting peoples or defaulting governments.

I continue:

> The President expressed to Geiger the earnest desire of his Government for an adjustment of the London debt and the willingness of his Government to resume the payment of interest as soon as the condition of the treasury and its resources would permit. He declined to make any proposition for such adjustment and resumption, but stated that he would be pleased to receive and consider a proposition from the bondholders.

Then, again:

> Upon the return of Geiger to London the council of the corporation of foreign bondholders resolved to take "more decided action", with a view to inducing Mexico to conclude arrangements with her foreign creditors.

I may say in passing that the Corporation of Foreign Bondholders is a corporation under the ægis of the British Government, and that the British Government aids it in every fashion it can. I attached as the second title of the Securities Act, when it passed the Congress of the United States, a provision which created a public corporation the design of which was exactly that of the Foreign Bondholders' Association of Great Britain, and which was fashioned upon the statute creating the British Foreign Bondholders' Association. It has been a source of infinite regret to me that it has not become operative.

The council decided to take more decided action.

> A factor in the council's decision was "the advantage the country derived from the construction of the Mexican Railway, effected by means of funds procured by the hypothecation of a part of the securities which had been already assigned to the bondholders." After consultation with the bourses on the Continent, the council notified the Mexican Government that it would no longer be allowed to avail itself, directly or indirectly, of European markets for the purpose of raising capital. The effect of this notification, says the corporation in its report for 1874, became immediately apparent. After unsuccessful attempts to raise money in the United States as well as in Europe, President Lerdo at length authorized overtures to be made to the committee of Mexican bondholders at London.

Today, sir, this law may be of little consequence. Today, sir, there may be no European nation that seeks to float its securities in this country. But today, sir, the world is in ferment. Today, sir, no man can prophesy what may occur within the next few months or the next few years. If there come a time in that period when money be required by a European nation, where, Mr. President, do you think that nation will come? It will come here, where we were once so easy, and where once it was not difficult to prevent the payment of what they justly owed, and may ask again; and then I hope this statute, brought to its full fruition, will preclude the possibility of any other loans being made until the present loans shall be settled.

Mr. WALCOTT. Mr. President, will the Senator yield?

Mr. JOHNSON. I yield.

Mr. WALCOTT. The Senator spoke of loans. I assume he means a loan of either a private banking house or the Federal Government.

Mr. JOHNSON. No. The bill was amended so that the only loans to which the law is applicable are loans which are due to our Government.

Mr. WALCOTT. But in the event a nation were in default to our Government, that government could not borrow even of a private banking house. Is that true?

Mr. JOHNSON. Yes; it is true; because this is a penal statute, and it forbids the sale of bonds or obligations of governments which are in default to our Government, or loans to them.

Mr. COUZENS. Mr. President, it does not prevent those countries which are now in default to our Government coming here and getting more money from our Government.

Mr. JOHNSON. The Senator asks a rhetorical question. The Senator from Michigan says that it would not prevent those countries from coming here and asking for more money from our Government. No; one may ask of the moon anything he chooses, but I should like to see the country in Europe today which owes us coming to this country and asking our Government for more money. I should like to see what the reply of our Government would be to such a request. And who would doubt what the attitude of our people would be?

Mr. COUZENS. The American public was not consulted when the loans were originally made to those countries.

Mr. JOHNSON. Certainly not.

Mr. COUZENS. It was done by executive officers, and the country was not consulted.

Mr. JOHNSON. Quite so; and now we are arousing the country, and the country is aroused. Now there is a different situation. Of course, the people were not at that time in a situation where they could deny or give consent, and the Senator is quite right, the Government floated the loans, in reality, in this country.

Just here let me ask, what is there that is unfair, what is there that is unjust, when down in the vaults of the Treasury Department are the bonds of these defaulting countries, on not one of which could we raise a dime, in reality, in our saying to the countries thus in default to our Government, "You shall not float in the United States, until these obligations shall be redeemed, any other bonds." That is what newspapers in our Nation declaim against, and it seems incredible to me that that peculiar attitude should exist on the part of any newspaper, Tory or otherwise.

Mr. FESS. Mr. President, will the Senator yield to me?

Mr. JOHNSON. I yield.

Mr. FESS. I think the Senator indicates a broader interpretation of the law than the one I would give it.

Mr. JOHNSON. Perhaps so.

Mr. FESS. I did not understand the law to which the Senator is now referring to forbid the Government lending to, say, a foreign corporation, such, for instance, as the Amtorg Corporation.

Mr. JOHNSON. I think the Senator is right about that. That enters into the question of the Russian situation, and the amendment that was incorporated at the very end of the bill, if the Senator will recall it, was written, in my view of it, for the sole purpose of enabling trade with Russia. It provided just this, if the Senator will observe:

> As used in this act the term "person" includes individual, partnership, corporation, or association—

And the amendment that was inserted and accepted was—

> other than a public corporation created by or pursuant to special authorization of Congress, or a corporation in which the Government of the United States has or exercises a controlling interest, through stock ownership or otherwise.

Mr. FESS. I thought the Senator's reply to the Senator from Connecticut was to the effect that the Government could not lend to a foreign corporation.

Mr. JOHNSON. I did not say that at all. What I said was that they could not sell here the bonds or obligations of a foreign country which was in default to our Government.

Mr. FESS. That is what I understood to be the law.

Mr. JOHNSON. That is the law.

I was reading the third excerpt from Mr. Turlington's work:

> Despite the inability of the Mexican Government to borrow money in Europe—

This was after they had put upon Mexico an embargo in every bourse in Europe—

> Despite the inability of the Mexican Government to borrow money in Europe, the Diario Oficial was able to state at the beginning of the year 1882 that day after day new applications were being made for railway concessions. In July 1882 an issue of ₱10,000,000 of bonds of the Mexican National Railway Co., owned by the American capitalists who had 2 years before obtained a concession for the construction of railways from Mexico City to Laredo, Tex., and Manzanillo, on the Pacific coast, was offered on the London market. These bonds were secured by a Government subsidy of approximately $11,000 for each mile of construction, charged upon a percentage of the customs duties claimed by the London bondholders. A warning was accordingly issued to the public by the bondholders' committee. The immediate result was that the bonds were virtually withdrawn from the European market.

Thus we see that historically there has been done in Europe just exactly what we have been attempting to do by this very inoffensive measure, designed to protect our people from being defrauded as our Government has.

Mr. President, I quoted from the editorial of the New York Times. I am very glad to say that an English publication recently characterized, as I would not dare characterize it, what has been done in Britain and the boast that has been made there of the balancing of the budget and of the great surplus.

Is it not absurd to talk now about token payments when British finances are in the condition in which they are? But let me say, too, that a budget can be balanced very easily. I could balance my budget if I would not pay my debts, and any country on the face of the earth can balance its budget if it declines to pay its just obligations.

In the New English Weekly of Thursday, April 12, 1934, there appears this article:

> Before the blackbirds begin to sing on the opening of the budget next week it will be well to recall how the pie was made. Like the alleged revival of prosperity, the budget "surplus" has been specially manufactured for home consumption and by means that would ensure an ordinary company the prosecution of its directors. The "windfall" of the Ellerman estate——

If Senators have followed what occurred recently in London, and the boast that was made by the Chancellor of the Exchequer, they will recall the enormous sum that was received from a specific estate, and how the statement was cheered as he reported it to the Commons.

> The "windfall" of the Ellerman estate that accounts for a quarter of the "surplus" may perhaps be regarded as a piece of luck; but it is not luck, but sheer chicanery, that calmly proclaims a surplus consisting entirely of England's unpaid debt to America. It is difficult to appreciate the ethics of our financial purists and especially of those who profess to be concerned for the credit of England in the financial world. They acknowledge the legitimacy of the American debt in terms of their own rules of sound finance. They propose to resume payment on the same old terms as soon as possible. And yet, with the means of payment in their hands, in the form of a surplus wrung from the public for the purpose, they content themselves with a "token" that is even not big enough to rank as payment on account. It can be taken for granted that our naive cousins in America will fail to see the honorificabilitude (city English for old-fashioned honor) of patent fraud and the cooking of accounts. Plain downright French refusal to pay and damn the consequences they can understand. The attitude of Germany, likewise, is intelligible: To demand a world conference for the settlement not of one isolated debt but the whole strangling network of international debts; and, in the alternative, to invite her creditors to come and collect their debts of a rearmed nation. But our city's attitude of mixed purity and trickery is beyond the comprehension of anybody but crooks. We have still to see, however, the ultimate consequences of evasion. Certainly they are not likely to take an immediately violent form. America cannot put the bailiffs into the British Empire. Nevertheless, it can be confidently calculated that another long nail will have been driven into the coffin of the world's hopes that most unquestionably lie in cooperation between America and the British Commonwealth. Once again, in short, our city is proving itself the chiefest enemy of world peace.

Mr. President, I desire to congratulate the New English Weekly upon the forthright frankness of this particular article. I would not dare say such things. It would be worth two leading editorials in various of the great newspapers for me to indulge in any such language as this, and the names that would be called would be so many and so terrible that I would shrink the rest of my life from even

reading a newspaper. I dare read what is here, because it is published by Englishmen in an English weekly.

In conclusion, Mr. President, let me say just this: The past is past. No one thus far, so far as I know, has been indulging in animadversions on our foreign debtors. I do not propose to indulge in such discussion any longer on this occasion. But I am looking forward to next month, June, when there will be due a payment from a nation which boasts that it is in a finer and better financial condition than any other nation on earth; I am looking forward to see whether at that time a nation, so circumstanced as it boasts no other nation is, will have the effrontery to offer a small "token" and beg to be relieved of the stigma of default. I do not believe that is possible, and I am perfectly certain that that will not occur; and, if it should, I feel certain there will be neither acquiescence nor acceptance by our Government.

THE NEW PHASE OF FOREIGN DEBT

Mr. LEWIS. Mr. President, I have from time to time addressed the Senate respecting the subject of the foreign debts, referred to as the debts of our debtor countries. My view has not always met the approval either of my colleagues or of certain of the financial interest among the public.

I am moved today to something of an expression of vanity, let it be conceded, perchance confessed. Lately I informed this honorable body that there was a move afoot among foreign nations indebted to us to omit in their budgets any acknowledgment of the debts, either for token payments or as installment payments recognizing the obligation of the principal.

I was particularly attracted to the fact that, though the eminent Senator from Idaho [Mr. BORAH], the able Senator from Ohio [Mr. FESS], the Senator from Maryland [Mr. TYDINGS], the Senator from Missouri [Mr. CLARK], and one or two others of the very eminent Members of this body joined in the interpellations and took occasion to express their views on the subject of the obligations, it was noticeable that certain portions of our financial press made not the slightest reference to the debate or the queries, and part of our very eminent press made not the slightest allusion to the character of the effort of the President in the transaction to maintain peace and concord with the debtors, all in a manner that would sustain the honor of America.

Subsequently, sir, some days following the address I refer to, there developed just what had been intimated; and in conformance to my prophecy, predicting that there would be no reference in the financial budget of these eminent debtors to the debt to the United States, there came forth no reference but the ignoring. When it developed that such result was actually the fact, as had been detailed by me on the floor, I then again took the liberty to address this body and tell this honorable Senate how the development disclosed proved the accusation made as expressed here.

I there presumed, sir, to set forth again certain information which I said was authentic, without relating the source from which it came, that these eminent lands would soon boldly announce that they would default, and I gave as the reason, coming from myself only, the deduction that as we were on the eve of seeking by treaty some form of reciprocity in prospective trade, through exports and imports, the debtor nations would announce to us, "Before we will go any further with you gentlemen touching such negotiations, you must make us equals. We will not let you put us as debtors on one side of the table and you as creditor on the other side of the table, subordinating us in such a demeaned attitude that we deal at a disadvantage, as one in debt to you, from whom you may command a form of obedience as from an inferior—a predicament which we cannot avoid."

Five days after that speech, in which I said such would be exacted, the very complete statement was made by two of the eminent debtors, one that it was in default and would make no effort to go further, saying it could not; the other announcing through its officials that it had one other proposition to make to us, and it would make it as one which should cover the whole subject and conclude any further reference to the obligations, and if we accepted it, very well; and if we did not, it should be the end; that they then, following our refusal, would duplicate the action of a previous nation and cry out "default." That declaration was fulfilled in action literally.

I again invite attention to what to me is a most ominous sign. I know it will be charged, of course, as is familiar in these days, either that I am disappointed because of omission of publicity, or that I sought by my speech more public attention paid to me, or that in some way I have some grievance or some pique. Unhappily, always there is the charge that anything certain of this Membership shall utter shall be ascribed to something of that nature. I am reciting that I would be fortunate in escaping the long-endured catalog of single phraseology of being referred to as "picturesque", an expression which the eminent men of the Conning Tower, I should hope, would have improved upon as time goes on by the invention of a more seeming, more elastic, and more satirical phrase, and one which has not endured as stale matter for so extended a length of time. Or, perhaps, it would be more agreeable to those who fancy themselves capable of scientific ignoring to refer to the wardrobe I wore, to comment on my apparel as indicating a show master, and assert that the real reason for my speech was that I might display my habiliments. [Laughter.]

Of none of this, Mr. President, am I unconscious. Sometimes when I see eminent veteran Senators trying to define the smallest estimate of value to one action or property, I cannot but conclude that if they really wanted a standard by which to measure littleness or insignificance they need but contemplate the petty worth ascribed by the gentlemen of the Conning Tower of the press to a United States Senator. [Laughter.]

Mr. President, I make these allusions not because I am personally concerned what one may write concerning these things applicable to myself; but I am compelled to note that when a great question such as that of foreign debts has been debated by honorable gentlemen on both sides of the Chamber, serious as the expressions are, it should not have been referred to by certain of the eminent press, and particularly its financial section. I cannot but be moved to the thought of that strange form of propaganda which has been effective in certain quarters, which has already begun to influence certain of our very great press, that silence on the debts and refusal ever to refer to the foreign debts is the most effective means of avoiding the payment of the debts. It is reasoned that soon it would be asserted that the whole matter is obsolete, no longer dominant; that it should be wiped out as a nuisance, to be considered as a burden to be carried, and is therefore an affliction on the body politic; therefore, out with it! Luckily, we shall not have to take the line out of Macbeth, "Out, damned spot! out, I say!" as the most fitting to the new abhorrent feeling as to collection of these debts.

But, Mr. President, today I call to your attention the query, What is the meaning of this new transformation? The eminent financiers and gentlemen of the exchequer, meaning statesmen, of two of our great debtors, suddenly announced their intention of resuming consultations looking to the payment or the offering of some payment, at least to the presentation to our President of some proposition.

Our President is to be greatly consoled in his efforts, and greatly to be approved in his conduct, for his patience, his perseverance, his patriotism in keeping the debts properly before the public without disruption of our relations with either country, or making the world feel that we could have a conflict of so base a nature as breaking friendship over a mere matter of dollars and cents, deeply as we regret the loss of our money, and deeply as we deplore the need which we cannot supply. But, Mr. President, I will not stand and within myself concede that I am so very, very stupid as not to see the design now set afoot.

The eminent Senator from California has just made a reference to certain matters touching a bill he has before the Senate which many of us will understand. My eminent leader on this side, Mr. ROBINSON of Arkansas, having con-

sidered the bill in its early inception, we of this side quite well knew the spirit of the bill wherein we could sustain the measure as an administrative one to the full extent which it could go. But, Mr. President, now come forward the debtors, and, with a very clear declaration, indicate that they will now consider anew the suggestion of some payment to be made to us, the creditor. At the same hour comes underground and subterraneously the proposition that, hiding itself first, to use the figure of the vermin, "under the sand", then comes forth now fully padded, that two of the private banking establishments of one of the debtors, and an official of the government of the other, have a proposition for a new loan from the United States, which the debtors feel they have a right to have; perchance, that their security would justify it.

As to that I have no remark to make, not having seen what is proposed; but I cannot overlook this new spirit of reviving a consideration of the honorable obligations, placing themselves apart from the previous proposition of default—as saying, "Gentlemen, pas un sou" from one, from the other, "not a cent"—utterly making the change of front with the prospect of a token payment from one, and asking for consultation by the other, at the time a new loan is whispered in the offing of the new stage; and this transaction just 2 days after the suggestion from eminent sources in these countries that the new loan would be launched as approved—"taken up", to use the language of finance—by America.

Mr. President, it may be that it will be a wise thing for America to do, for aught I know, when the proposition shall be made in the open; but America must not fail to be on guard and behold the difference between that which is straightforward to its object and that which assumes that greatest form of hypocrisy and for the moment dazzles the senses with the pretension of friendship and fraternal regard while with the hand of deception it rips the pocket open and filches its contents again, as has been done before too often.

Mr. President, our President is seeking to do all he can to keep the kind regard of one land with the other, and we are seeking as best we can to collect the debts which are due us; but, sir, there is another consideration, and it is the final one which I take the liberty of imposing upon my eminent colleagues. It is to protect the investors of America, for these loans are evidenced by bonds; these bonds are then taken up by the financial houses of the country; they are then transferred to the citizens of our country for consideration, and it is held out that they are an excellent investment and that their money is secure; and when such is done, then default occurs, as in the case of certain South American bonds, which, it is conceded, to the extent of $900,000,000 today cannot be collected in any sum, while committee upon committee is multiplied one after the other, and investigation upon investigation is piled up, and then further investigation of the investigators who made the investigation, and parleys follow until the subject is drawn out, patience becomes exhausted, and nature, no longer able to combat the contest, surrenders in subdued silence. I hope we shall not have that experience duplicated.

There is the country of Germany. I realize its unhappy state, its regrettable situation; but here are its bonds in America. Surely Germany is not going to take it for granted, because we have been whipped into a confused state and perplexed condition by the varying forms of the dealings with us by our ally debtors, that she can duplicate that situation and leave us as a creditor with not sense enough in the multiplicity of manipulations to guard our citizens, and as having become so weak in our resources as that we will surrender all the rights of our citizens by inaction. Mr. President, I trust we have reached the end of that practiced supineness, and that now it shall be given well to be understood that no loan to any country that is in debt to us, and that as to the debt manifests a spirit of unwillingness to pay us or to acknowledge the debt, will be permitted by this Government if in the processes of government it can be restrained.

It does not matter so much, let it be said, that a government may not be able to pay. That is not default. That misfortune deplored may be endured. The loss of our money may be regretted, but if in spirit one shows anxiety to pay the debt and acknowledge the obligation, that, sir, can be well taken into consideration, and these conditions in no wise of themselves restrain a new loan that is sought if, on the merits and the equity of it, it can be taken up with safety to the citizen; yet, sir, where a debtor defiantly refuses to recognize his obligations, and holds us out before the world as having been defeated by strategy, or having been eloigned by a very capable and subtly flowing method of seduction that we have not the resources of mind or method to deal with the humiliation—sir, if that attitude should be assumed by any debtor, such a debtor cannot be rewarded for his assumption, his daring, or contemptuous conduct by having himself again received by our land and sent back with his palms flowing with our money.

It is well we should state as soon as we can, and appropriately, our real relations. We ask only the dealings of honor between men and men and country and country, and here we stand on principle. We are behind the President in his effort in every way to maintain peace and friendship; we want the concord of every kindly relation that may lead us in the future and that may aid in the growth of foreign trade and domestic kindliness; but, before all, the condition of courage and conduct for the uses of trade is in the saving by America of her American citizenship and the honor of her land as the first consideration.

I trust the Senate will understand why I have burdened it for the moment by intruding these expressions as to the menace of a threatened indignity.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had agreed to the amendment of the Senate to the bill (H.R. 3900) authorizing the Secretary of the Treasury to pay subcontractors for material and labor furnished in the construction of the post office at Las Vegas, Nev.

The message also announced that the House had passed the following bills of the Senate, severally with amendments, in which it requested the concurrence of the Senate:

S. 2080. An act to provide punishment for killing or assaulting Federal officers;

S. 2249. An act applying the powers of the Federal Government, under the commerce clause of the Constitution, to extortion by means of telephone, telegraph, radio, oral message, or otherwise;

S. 2252. An act to amend the act forbidding the transportation of kidnaped persons in interstate commerce;

S. 2253. An act making it unlawful for any person to flee from one State to another for the purpose of avoiding prosecution or the giving of testimony in certain cases;

S. 2575. An act to define certain crimes against the United States in connection with the administration of Federal penal and correctional institutions and to fix the punishment therefor;

S. 2841. An act to provide punishment for certain offenses committed against banks organized or operating under laws of the United States or any member of the Federal Reserve System; and

S. 2845. An act to extend the provisions of the National Motor Vehicle Theft Act to other stolen property.

REGULATION OF SECURITIES EXCHANGES

The Senate resumed the consideration of the bill (S. 3420) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes.

Mr. VANDENBERG. Mr. President, when we were discussing the pending bill, before this very illuminating interruption, the point at issue was as to section 15 respecting the exemption of intrastate securities which are unregistered. I have been discussing the matter with the able

Senator from South Carolina [Mr. BYRNES], the Senator from Kentucky [Mr. BARKLEY], and the Senator from Florida [Mr. FLETCHER]. At the suggestion of the Senator from South Carolina, I am not offering the amendment at the moment, because he desires to inquire further into its implications, but I do want the RECORD to show the precise thing upon which we are in tentative agreement. I am referring to an amendment on page 36, line 12, after the word "obligations", to insert a comma and the following language:

or unregistered securities, the market in which is predominantly intrastate.

I ask that this amendment be printed and lie upon the table pending the appropriate time to bring it up.

Mr. LEWIS. The amendment of the able Senator embodies some views which I myself should like to see incorporated in the bill.

The PRESIDING OFFICER (Mr. GEORGE in the chair). The amendment intended to be proposed by the Senator from Michigan will be printed and lie on the table.

Mr. FLETCHER. Mr. President, I ask to have printed in the RECORD an article appearing in Today of April 21, entitled "High Pressure Propaganda in Wall Street's Raid on the New Deal."

The PRESIDING OFFICER. Without objection, it is so ordered.

The article referred to is as follows:

[From the Today, Apr. 21, 1934]

HIGH-PRESSURE PROPAGANDA IN WALL STREET'S RAID ON THE NEW DEAL

Wall Street's raid on the new deal promises to be a supreme example of the power of propaganda in this generation.

No one ought to object to legitimate propaganda, and it is not the purpose of this article to claim that people, high or low, should be condemned in any sense for presenting their arguments in whatever way is proper and effective. The purpose of this article is rather to demonstrate by a review of the drive against the Fletcher-Rayburn bill the extent and character of the opposition. The public, when apprised of the facts, may make its own judgment.

There is no more serious consideration in this drive than the fact that 95 percent of those who are registering opinions on the bill are not basing them on what the bill is, but upon what somebody told them about the bill.

This is a distinction of the greatest importance. Thousands of business men, bankers, and others have slavishly registered opinions they did not create for themselves, concerning a measure which they have not seen; they are predicting effects that might result from this bill that they have no right whatsoever to predict because they have not examined the facts.

They have allowed themselves to be used as rubber stamps by a concentrated minority which constitutes the interested parties. They have, as they probably have many times in the past, based their faith and confidence on the magic value of a tip—a few words from a source "said to be authoritative." They have surrendered the right, on the basis of which free government is said to exist, to make decisions of their own. Such is the nature of government by propaganda.

In February, when the President sent his message to the Congress asking for stock-exchange regulation, sentiment in favor of such legislation was strong throughout the country. One pulse-feeling agency which reads the papers of all the 184 cities of 50,000 or more that have daily newspapers, found almost literally not one dissenting note in their editorials.

The investigation of the Senate Banking and Currency Committee, under Ferdinand Pecora, had come to a climax not long before. Much that had been of common belief had been confirmed by the testimony. More that had not even been gossiped had been revealed.

In the columns of Today, Samuel Untermyer summed up the results of 20 years of study of stock-exchange conditions and presented a detailed plan for regulation under the Federal Government. The interdepartmental committee of the Cabinet completed its inquiry and submitted a plan identical in purpose but differing in the machinery proposed.

Securities and commodities exchanges, banking institutions, and associations began to give serious thought to changes in their forms of organization and in their practices. Similar situations had arisen in the past, but soothing promises had been sufficient to assuage them. Now, to their dismay, they found that the pledge of the Democratic national platform was to be carried out.

Immediately upon the receipt of the President's message the Fletcher-Rayburn bill was introduced. Its terms were unmistakable—"Wall Street" was not to be allowed to say what housecleaning should be done, or how. The bill was a prescription, and "Wall Street" had its choice of but two alternatives—to accept the bill or to form its lines for the hottest of fights.

The second choice was made. Not since the opposition to the railroad legislation of 30 years ago, or to the Federal Reserve legislation of 10 years later, had a comparable conflict drawn on. Nor, it may be added, had there been such a mobilization of forces.

CALL TO BATTLE

February 13 saw the first of these forces moved to the front. On that day Richard Whitney, president of the New York Stock Exchange, called into council representatives of 30 principal "wire houses." He outlined to them what he regarded as the bad features of the Fletcher-Rayburn bill. Promptly the call to action went out to all the branches of these 30 houses, located in every important city of the country. One of the messages read:

"This proposed national securities act (sic) is a matter of grave concern to every owner of real estate and securities, to all officials of corporations or banks, and to every policyholder. It is no exaggeration to say that very few of your friends and clients can afford to disregard this new menace to national recovery.

"We are mailing you a copy of the bill. Please study it. The more you study it, the worse it seems. Please discuss it with others and urge them to acquaint themselves with some of these vicious provisions.

"I am confident that if the country understands the bill, an overwhelming protest will arise."

In New York, Chicago, San Francisco, Boston, and Philadelphia plans were made for organized opposition. On February 15 the battle front was extended. Mr. Whitney sent a letter to all members of the New York Exchange and another to the presidents of 80 companies whose stocks were listed on the "big board." In the latter letter he said:

"These powers (under the terms of the Fletcher-Rayburn bill) are so extensive that the Federal Trade Commission might dominate and actually control the management of each listed corporation."

This was bringing an old, old enemy into the fight—the cherished belief that the Commission seeks earnestly and constantly to gain increased powers. Opposition to the bill strengthened perceptibly. Testifying before the Interstate Commerce Committee of the House, Mr. Whitney touched upon the new issue, but not as a primary point. He was confident that the bill gave the Commission power to manage the corporations of America, but he was saving his frontal attack for another time.

The time seemed to have come on February 28 when he appeared before the Senate Banking and Currency Committee. There he declared that the Commission was given absolute power over every corporation whose stocks or bonds were listed on the exchange. He added an opinion that had not been voiced before—that even corporations not in interstate commerce would come under this power.

A final suggestion was that the bill might have been written for the purpose of establishing a "nationalization of industry and business hitherto alien to the American theory of Federal Government."

Meanwhile the enlistment of support throughout the country was going on, especially among speculators and investors. Then the enlistment was extended to employees of brokerage houses. Eventually they were organized in 43 cities. A typical message was this, from Livingston & Co., of New York.

"Regarding Fletcher-Rayburn bill:

"Will you please ascertain and advise what is being done by concerted action of savings banks, corporations, lister or unlisted, insurance companies, in your territory in the way of organized effort for the fight on the above bill.

"Are your employees alive to the fact that with the passage of the bill a great many of them will be out of employment?

"Are they writing their Senators and Representatives? If not, they should do so at once, using their own note paper, not firm paper, and writing in their own way, protesting the passage of a bill which will rob them of employment. Please advise."

The results of the drive were unmistakable in Washington. Every mail brought protests. Brokers' employees wrote their Congressmen. (Some of them disobeyed the instructions to use their own stationery and some of them said frankly that they had been told to write.) Brokers telegraphed their members. Corporation officials expressed their judgment.

A new group made its appearance—borrowers who had been told that if the bill became law their collateral-supported loans would have to be called or, at best, greatly reduced; bankers who had been told that they would have to take such action; bankers outside the Federal Reserve System who, under the original terms of the bill, would have been barred from making loans to brokers and who did not know that this provision had been changed.

DRIVE BY MAIL IS PRESSED

Great quantities of mail came to the White House. As a matter of routine, it was sent to the Federal Trade Commission for acknowledgment. More than a few of these acknowledgments, especially those to the Pacific coast, came back stamped: "Unknown at address given."

Early in March the familiar device of mobilization of support from the colleges was begun. Theodore Prince, a broker of New York, took charge of this. To the professors he wrote:

"It seems that the power given to the bureaus or commissions named in the Fletcher-Rayburn bill is far beyond anything that was ever given to any individual, bureau, or commission. It means that such a bureau or commission would have economic

power over every industry and corporation through control—indirectly—of the credit and capital sources and machinery by which corporation ownership and distribution is made possible.

"Does it not appear as though under the bill a tentative, partial control would be impossible—that it must be absolute and almost communistic? If that be so, should the bill not make that purpose and object clear to all?"

Mr. Prince testified that of the replies he received 39 were opposed and only 4 unqualifiedly in favor of the measure. Among these latter was prof. Nathan Miller, of the Carnegie Institute of Technology, Pittsburgh. He wrote Mr. Prince:

"I wish that we 'forgotten men' had the funds at our disposal which might make it possible for us to combat this type of propaganda you are emitting."

Suddenly the battle ceased to be an attack on the stock-exchange bill alone and became a drive on the new deal as a whole.

James H. Rand, Jr., commanded the troops of this spear head. As chairman of the Committee for the Nation and ostensibly in opposition to the stock exchange bill, Mr. Rand was a witness on March 23. He read then into the record the statement by Dr. William A. Wirt, superintendent of schools at Gary, Ind., which had been so categorical in its accusations that the "brain trusters" were planning "the overthrow of the established American social order", but which proved, at the hearing of the BULWINKLE committee on April 10, to be the opinion of his own, to which persons he thought were "satellites" of the brain trust had given what he took to be assent.

The cobweb character of Dr. Wirt's statement did not prevent its being turned to skillful account, however. It was seized upon as proof by those who were seeking proof. Its background was guarded against examination by any who refused to accept it as what it purported to be. It found, perhaps, wider newspaper publication than any other single piece of testimony during the hearings.

No detail of the Wall Street raid was more shrewdly directed. New themes were found in it for such sedulous disparagers of the new deal as Mark Sullivan and David Lawrence. New impetus was given to the whole drive and, incidentally, new distinctions for the Committee for the Nation.

The Committee for the Nation, it may be pointed out here, was in no small part a creation of Dr. Wirt himself, although he is not listed as an officer nor does his name appear among those of the members which the committee makes public. The authority for this attribution to Dr. Wirt is the active executive of the committee—Dr. Edward A. Rumely.

"It was Dr. Wirt", says Dr. Rumely, "who first had the idea of forming this group to do something about the economic crisis."

Dr. Rumely has not been in the public eye since 1924. For a period of nearly 10 years before that time, however, he was a conspicuous figure. He is a physician, with a degree from Freiburg; he founded the Interlaken School in Indiana; he took over his family's farm-machinery plant and expanded it into the Advance-Rumely Co.

In 1916 he was revealed as the real purchaser of the New York Evening Mail. When Dr. Rumely was accused of having bought the Evening Mail with German money (to secure a spokesman here for Germany during the World War) he took oath that no such money had been used.

Promptly, Dr. Rumely was indicted for perjury in making that statement. On November 4, 1920, he was found guilty, and sentenced to a term of a year and a day in the Atlanta Penitentiary. The Supreme Court refused to review the verdict, and then for 4 years influential friends sought Executive intervention in his behalf. Finally President Coolidge commuted the sentence to 1 year, which kept Dr. Rumely from the penitentiary. A month later, service of sentence having been begun, Mr. Coolidge reduced it to 1 month, and that term was duly served at Eastview, Westchester County.

Dr. Rumely is not listed as an officer of the Committee for the Nation. If you write the committee, however, he may answer you in its behalf. If you ask in person for information, you will be told that "when he returns", he will serve you. At the offices you will hear that he is the one actively in charge.

CAMPAIGN IS WIDENED

In this new phase the drive on the stock exchange bill has been widened particularly to take in the desirability of modifying the Securities Act and the "dangers" of the Wagner company union bill and the unemployment-insurance bill.

On April 4, for illustration, a special train carried to Washington a group of 175 Connecticut manufacturers to meet in conference with the whole Connecticut delegation in the Congress excepting only Representative MALONEY. All four of these bills were formally opposed.

As this is written opponents of the legislation list these organizations in their support:

United States Chamber of Commerce, National Association of Manufacturers, Association of Railway Executives, National Industrial Conference Board, American Bankers Association, National Association of Mutual Savings Banks, National Board of Fire Underwriters, the Merchants Association of New York, and Chambers of Commerce of Baltimore, Boston, Philadelphia, Detroit, Richmond, St. Louis, San Francisco, Buffalo, Cleveland, Toledo, Seattle, Harrisburg, San Jose, and Sacramento.

A steady shift of front has gone on, in the meantime, among the newspapers of the country. On February 23, 7 out of 10 editorials were favorable to the Fletcher-Rayburn bill; on February 24, 8 out of 10. Day by day, almost, the ranks of the newspaper supporters of the bill have thinned. There have been complete rights-about-face, perhaps the most interesting of them that of the Miami Herald. On February 24 it said:

"Mr. Whitney asked for another chance with some additional grant of power. Perhaps the exchanges could wipe out the evils more successfully than Federal laws, but the question remains as to why they have not done so."

By March 28, however, the Herald had evolved a new theory which enabled it to join the chorus against the pending regulation.

"If stocks are held down by the damper of margins", it said, "so will prices of grain and cotton be kept low in the pit, and they influence commodity prices generally. In other words, the Nation prospers through gambling. This may not be morally right, but nevertheless it is a fact."

Thus is developed one of the most extraordinary theories of human progress that has ever been enunciated. Perhaps the slogan of this new drive on the new deal might be borrowed from this Miami suggestion:

Prosperity through gambling.

President Roosevelt says: "A more definite and more highly organized drive is being made against effective legislation (for Federal supervision of stock exchanges) than against any similar recommendation made by me."

Mr. FLETCHER. Mr. President, I wish to call attention to the fact that I presented and had printed three amendments, which I wish to take up at the first opportunity. Perhaps if no other Senator desires to offer amendments, I may do so now. One amendment is on page 57, after line 9, to insert the following:

Title 2, amendment to the Securities Act—

And so forth.

Mr. McNARY. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Oregon?

Mr. FLETCHER. I yield.

Mr. McNARY. I inquire if the Senator has secured action upon all the committee amendments?

Mr. FLETCHER. There are no committee amendments.

Mr. McNARY. None at all?

Mr. FLETCHER. No. I am referring now to an amendment——

Mr. McNARY. To the Securities Act?

Mr. FLETCHER. To an amendment which I have heretofore offered and which has been printed.

Mr. McNARY. I am curious to know, if there is any other amendment to the bill which is the unfinished business, why would it not be better to go forward and consider the amendments to the pending measure before we take up an amendment which relates to an entirely different subject?

Mr. FLETCHER. The amendments to which I have referred are amendments to the bill.

Mr. McNARY. I appreciate that; but does not one of the amendments referred to by the Senator affect and modify the existing Securities Act?

Mr. FLETCHER. One does modify it, but that is not so important.

Mr. McNARY. May I ask the able Senator from Florida is he offering amendments to be printed or for the consideration of the Senate at this time?

Mr. FLETCHER. The amendments have already been printed, and I was going to try to have considered the amendment which I suggested.

Mr. McNARY. That is what I understood.

Mr. FLETCHER. I also have an amendment with reference to the Securities Act. The other amendment was in reference to this bill on page 23, at the end of line 16, to strike out "two years" and insert in lieu thereof "one year"; and in line 18 to strike out "six years" and in lieu thereof to insert "five years." If it is desired, I can now present the amendments. I do not believe there will be any opposition at all to those amendments.

Mr. McNARY. I do not want to interfere with the Senator's plan of procedure, but would it not be the natural and logical way of proceeding if we were to consider all the amendments to the pending measure before taking up those pertaining to the Securities Act? I think that would be

much better and would give notice to Members of the Senate that we intend to follow that course.

Mr. FLETCHER. Suppose I just offer this amendment now on page 23, line 16, to strike out "two years" and insert in lieu thereof "one year." It refers to the time in which suit must be brought. The bill provides for 2 years, and I am offering to make that 1 year. The bill carries a limitation of 6 years, and I am offering to make that 5 years. I think the bill itself allows too much leeway there. If any suit is to be brought, it ought to be brought within 1 year after knowledge of the breach of the agreement or misinformation or untrue statement; and then the time ought to be limited to 5 years.

Mr. WALCOTT. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Connecticut?

Mr. FLETCHER. I yield.

Mr. WALCOTT. The two points referred to by the Senator from Florida were thoroughly discussed by the committee and, as I recall, there was no objection on the part of any member of the committee to the two amendments.

Mr. FLETCHER. I think the committee agrees to them.

Mr. KING. May I suggest to the Senator that he send the amendments to the desk and have them read, so that we may understand their proper relation to the bill?

Mr. FLETCHER. The amendments have been printed.

The PRESIDING OFFICER. The amendments proposed by the Senator from Florida will be stated.

The LEGISLATIVE CLERK. On page 23, line 16, it is proposed to strike out "2 years" and insert in lieu thereof "1 year"; and in line 18 to strike out "6 years" and insert in lieu thereof "5 years".

The PRESIDING OFFICER. Is there objection to the amendments?

Mr. KING. Mr. President, I do not object to the first amendment; I think it is a perfectly proper amendment.

The PRESIDING OFFICER. Without objection, the first amendment submitted by the Senator from Florida is agreed to.

Mr. KING. Mr. President——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Utah?

Mr. FLETCHER. I yield.

Mr. KING. With respect to the second amendment, may I ask the Senator if the committee considered the advisability of limiting the period to 4 years or 3 years? Six years is rather a long period. The statute of limitations in many of the States does not cover a period so long. It seems to me that suits brought for contractual violations under State laws must be brought within 2 years.

Mr. FLETCHER. The amendment provides 5 years instead of 6 years.

Mr. KING. I suggest that is rather a long period. It seems to me 3 or 4 years would be ample, and yet if the committee fully considered all phases of it, I shall not object.

Mr. FLETCHER. We went into it very carefully. I think in the Securities Act it is limited to 10 years. I have changed the other amendment which I shall offer to the Securities Act to conform to this amendment. That is why we are changing this provision, so as to make it conform to the Securities Act as we will eventually amend that act.

Mr. KING. There may be no relation between the Securities Act and the amendment now under discussion. Yet they may be so clearly integrated as that one ought to be determinative of the other.

Mr. BYRNES. Mr. President, will the Senator from Florida yield?

Mr. FLETCHER. Certainly.

Mr. BYRNES. As a matter of fact, the language of the Securities Act to which the Senator from Florida has referred is similar to the language in this bill. The cause of action is based upon a false or misleading statement. To make the provisions of the two accord, it was determined to agree upon a final limitation of 5 years, and that suit must be brought within 1 year after discovery of the misleading or untrue statements. It is the same cause of action in each case.

Mr. KING. I think the Senator will agree that in most of the States an action for fraud or fraudulent representation resulting in damage must be brought within 2 years, according to my recollection, and the statute of limitations in some States is 3 or 4 years. I am not very particular, however, but it seems to me it was rather a long time.

Mr. BYRNES. Suit must be brought within 1 year after discovery of the statement, but the untrue or false statement might not be discovered for 4 years after its utterance. It means only that there is but 1 year after discovery of the statement in which action may be brought. In the States a suit may be brought within 4 years. It simply means that after 5 years or 6 years a suit may not be brought at all.

Mr. KING. In view of that explanation I shall offer no objection.

Mr. NORRIS. Mr. President, is there any conflict between 2 years in the one case and 6 years in the other? Six years is the final limit. A good defense could be made if suit were brought within 6 years, even though the false statement had never been discovered until the action was brought. Why is not that a sufficient limitation? Why should we have one time fixed for the final limitation and another time fixed as a limitation based on the discovery of the fraud? There will be many cases where the fraud will not be discovered within a year.

Mr. FLETCHER. Mr. President, the thought was that a man ought not to delay suit more than 1 year after he discovers the fraud. If he has been injured and finds that he has been injured, he ought to bring his action within a reasonable time, and we fix that time at 1 year. If he has not discovered it, the person who made the misrepresentation or false statement ought to feel safe at some reasonable time that he will not be disturbed.

Mr. NORRIS. Yes; that is true.

Mr. FLETCHER. So we fixed 5 years for that period. I think the Senator will agree that where a representation is made as to a security and a man buys it and finds the representation was false and that he was misled as to material facts and was damaged and had suffered a loss, he ought to act within 1 year after he makes the discovery.

Mr. NORRIS. But that is not the general rule applied in statutes. We fix a limitation in the statutes. Of course, it is arbitrary. Six years may be too long. I do not believe we ought in a law to have two limitations. That will lead to controversies untold. It will lead to a great deal of difficulty and a great deal of uncertainty.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. NORRIS. It seems to me there is no reason why there should be two limitations in the same statute. I yield to the Senator from Kentucky.

Mr. BARKLEY. It really is not two limitations. If a man makes no discovery of fraud within the time limit of the statute then he cannot sue at all. The lapse of the 5 years or the 6 years, whichever may be finally fixed, bars him from bringing suit at all where he has made the discovery. But if within that time he makes discovery of fraud and damage, then he is required to bring his suit within 1 year after such discovery. It does not extend the real statute of limitations. It simply requires that within that statute of limitations, if he makes discovery of fraud, he must bring his suit within 1 year. There is really no conflict between the two provisions.

Mr. KING. Mr. President, I think the explanation is very clear. Suppose a person against whom a fraud was committed did not discover it until 6 years and 1 day; then no action would lie. If he discovered it 5 years after the fraud, then he must bring it before the expiration of the 5 years. If he discovers it 1 day after the fraud was committed he must bring it within 1 year. I think there is no conflict.

Mr. NORRIS. I think there is no misunderstanding as to what it means. I agree to all that.

Mr. KEAN. Mr. President, will the Senator yield?

Mr. NORRIS. Yes; I yield.

Mr. KEAN. I should like to point out to the Senator that if a man buys something today and discovers tomorrow that some mistake has been made and perhaps he has a ground for suit because of fraud, under the terms of the bill he must bring his suit within 1 year. But suppose he thinks, "Perhaps the bonds I have bought will go up. I will not bring suit until I find out about that. If the bonds go down then I will have the option of suing these people and trying to recover. If the bonds go up, then I will not sue because I can get a profit on them."

Mr. NORRIS. In the case the Senator puts it will not be a ground for suit because the bonds go up or down. That will not be a good reason for suit unless the purchaser has been guaranteed that they will not go down, which he never would be. That will not happen. It is not a ground for fraud of itself that the bonds happen to go down after they have been bought. There is no fraud in that.

Mr. KEAN. But if he finds some technical mistake in the statement that has been put out, he might say to himself, "I have something that I can sue on if these bonds go down. If they go up I will not want to sue because I will get a profit on them, but should they go down, then I have the option of suing."

Mr. NORRIS. Suppose we take that case and the man who bought the bonds thinks that. He has the option of bringing his suit for damages under the statute. If there is a statute of limitations against that suit he has to bring it within that time.

Mr. KEAN. Yes; he has to bring it within 1 year under the terms of the bill now before us.

Mr. NORRIS. I do not see why there should be any difference, why there should be two periods of limitation. As a matter of fact, this is what would happen as a rule:

If we say that the man who is defrauded must bring an action within 1 year after he discovers the fraud when the general statute of limitations is 6 years or 5 years, what he would do, what he ought to do, what everybody would want him to do to save litigation and expense, would be at once to enter into negotiations with the man who had defrauded him, to see if he could not make a settlement with him, to see if he could not reach some conclusion with him. A year's time is not enough for that. There would be, on the one hand, a continual object in trying to delay any settlement that might occur, in order that the year's statute of limitations might run. When some other man commenced a suit later, the defense undoubtedly would be, if that had happened, "Why, you had notice of what you claimed to be a fraud by the action that the other man commenced", and at once litigation would arise as to whether or not the man had discovered the fraud. The parties would be trying a side issue.

If there is a statute of limitations fixing the time, that is settled definitely. If there are two statutes, there always will be a defense made, or practically always, as I look at it, if the first time has expired, that the man had notice of whatever happened. It may be that there has been court notice in a suit to which he was not a party. Some other person has sued, and has been successful or unsuccessful; but it would be charged on the one hand that notice of the suit was notice to the world, and that this man had really had notice, and that he did not commence his suit within a year's time after that.

Running all through the statutes that we pass—criminal statutes and civil statutes—there is a statute of limitations. Everybody concedes that it is a wise thing to have a statute of limitations. I am not contending otherwise. There ought to be a limitation; but I think the passage of this bill with these two limitations in it would invite litigation. We should be giving an opportunity to the defendants in a case where a charge of fraud is made to try to get into the case notice of something that happened before they were sued.

Mr. BARKLEY. Mr. President, will the Senator yield there?

Mr. NORRIS. Yes.

Mr. BARKLEY. It seems to me that the contrary is more liable to happen. By putting in a limitation of 1 year after the discovery of the fraud, we are actually limiting the possibility of litigation. If we should strike that out we would have a straight period of 6 years in which anybody damaged could bring suit. Whether or not he discovered the damage 3 years after it was actually perpetrated, he would still have 6 years from the actual perpetration of the fraud in which to bring the suit. So, when we say, "Although you discovered the fraud within a month or within 6 months after it was committed, you have to bring suit within a year, or you cannot bring it at all", we actually limit rather than encourage litigation. Otherwise, the man could go on until the end of 5 years, although he had known about the fraud all the time, and still bring his suit.

Mr. NORRIS. Mr. President, that is not a limitation, as I see it. It will be the contrary. If we desire to make a limitation of a year, while I am opposed to that—I think it is too short—that would end it all, and that ought to end it all, whatever the limitation is.

Suppose, however, that bonds are sold and that there is some fraud connected with their sale. Some of them are sold in California, and others are sold in Maine. The man in Maine discovers within a year that a fraud has been committed. He may commence suit in Maine, and 4 years later the man in California may commence suit. In either case the man does not know of the fraud until he himself discovers it. The man in California commences his suit within a year after he discovers the fraud; but the defense is that the case in Maine has given notice to the world of the alleged fraud, and that notice of it is bound to be taken in California and in every other place under the jurisdiction of our courts.

We may have limited litigation in that way; but, as a matter of fact, if that is a good defense, we have shut out a great many people who otherwise would have been in.

Mr. BYRNES rose.

Mr. NORRIS. Let me finish.

The suggestion made by the Senator from Kentucky [Mr. BARKLEY] is, I think, a repetition of the suggestion he made the first time he interrupted me. If litigation such as I have described should be instituted, we would have invited litigation that would result in the end, if it should be successful, in the defense of the men who were guilty of the fraud; and we might limit it in the first place to 1 year just as well as to have two limitations in the bill, as I see it.

To repeat what I said before, such a limitation as is proposed here will prevent the settlement of cases. The man will have to go to law at once. Suppose he discovers 6 months after purchasing bonds that there has been what he claims to be, fraud in the sale and the representations that were made. Immediately upon discovering that something is wrong, very likely he will privately claim to the defendant in the case that he has been defrauded. He will try to make a settlement. If he makes a prompt settlement, it will prevent litigation. If he does not make a prompt settlement, when the negotiations are only half through he will have to commence suit. He has not time enough.

These negotiations will be carried on at first by correspondence, I presume, mostly from all parts of the United States into New York City; and we shall be limiting any negotiations that might result in avoiding litigation by making the time for negotiations in regard to settlement so short that ordinarily they will not be completed within the prescribed time, thereby forcing a man to go into court when otherwise he probably would stay out considerably longer; and if that were the case, it might result in no court action whatever. In that sense we should be increasing litigation by what is proposed here.

Mr. BYRNES. Mr. President, will the Senator yield?

Mr. NORRIS. Yes.

Mr. BYRNES. Ordinarily I should be disposed to agree with the Senator that a provision of this kind would require suit to be brought too quickly. There were, however, two questions confronting us. The point has been made that

if fraud should be discovered after 2 years, suit could be brought within 10 years. It was argued, and with considerable force, that, inasmuch as the particular suit referred to in this section might be a suit against the directors of a corporation for omission to state a material fact in securing the registration of an issue, it would deter men from serving on boards of directors, because the man might die and his estate would be liable possibly 8 years after his death to a suit brought by an individual.

Mr. NORRIS. That would not be true under this language.

Mr. BYRNES. I am just giving the Senator the background, so that he will understand it. In considering the subject, since even those charged with the administration of the proposed law were of the opinion that that provision might be modified, it was agreed that we should modify it to the extent of providing that if a man discovered the falsity of a statement, or the omission to state a material fact, and wished to sue the director of a corporation, he ought to bring suit within 1 year; but, knowing that he might not possibly learn of the falsity or omission for some years, we provided that it must be done within 5 years, and this provision was then changed to accord with the amendment which the Senator from Florida has offered.

I think the Senator is familiar with the purpose; but there were two things to be considered. Looking at the matter from the standpoint of the director of a corporation, one was that we should bring to an end his fear, or the fear of his estate, of a suit. At the same time we desired to preserve the right of a man who might not discover the falsity of a statement for 4 years, because in the very nature of things he might not do so; but, upon discovery, he should not be denied the right to bring a suit.

The Senator and I will agree that there is nothing sacred about any particular period for a statute of limitations. Whether it is 6 years, as in my State, or 5 years, as in some other States, it is always arbitrary; and, admittedly, this is arbitrary.

Mr. NORRIS. Yes.

Mr. BYRNES. I see the Senator's position that fixing a short period may result in the man's bringing suit when otherwise he will not do so. It may. I might advise a director that I am going to bring a suit in the hope of getting a settlement. Some suits might be encouraged if I were not permitted to negotiate. At the same time, from the standpoint of the director, the more quickly he knows whether or not he is liable, the better. Therefore, within a year I can file a suit, and then I can continue to negotiate and try to arrange a settlement.

Mr. NORRIS. Oh, yes. We can always do that, of course, in any lawsuit.

Mr. BYRNES. We can always do that. There is not any sanctity about the 2-year period or the 1-year period. We were just trying to agree upon something that would be just and fair to both sides.

Mr. NORRIS. The Senator now is speaking, however, of a man who might be liable who dies, and whose estate might be liable. That would be true if we made the period 1 year. His estate might be liable at any time within 6 years under the language as it stands now.

Mr. BYRNES. Yes.

Mr. NORRIS. If the suit were commenced within that statute of limitations, if it were like the suit from Chicago the other day, it might last 11 years longer, and somebody else might die of old age before getting through with it.

Mr. BYRNES. The only difference is that this period is 5 instead of 10 years, as was provided under the Securities Act of 1933. This is just 5 years better; that is all.

Mr. NORRIS. I myself think that 10 years is too long.

Mr. BYRNES. It is too long.

Mr. NORRIS. I realize that honest men might disagree as to what the time should be.

Mr. BYRNES. Of course where a period is fixed arbitrarily, men will disagree about it.

Mr. NORRIS. But what we ought to do here is to fix just one limitation and stop at that. It ought to be more than 1 year. I have no doubt about that.

Mr. BARKLEY. Mr. President——

Mr. ADAMS. Mr. President, may I venture an observation?

Mr. NORRIS. Yes; I yield.

Mr. ADAMS. In the explanation made by the Senator from South Carolina, he points to the liability that might come to a director by reason of a statement that was not true. That is not all that is covered by this provision. It provides causes of action for willful fraud. Where willfully false statements have been made, and people have been led into making investments under false statements and in order to recover under this provision the plaintiff must prove that the false statement was willful, it seems to me that a limitation of a year is entirely inadequate.

Mr. NORRIS. I think so.

Mr. ADAMS. It seems to me that the provisions originally incorporated in the bill should be allowed to stand as they are. They were discussed with a good deal of care in the committee; and to say that a man shall be shut off within 1 year after the discovery of a willful fraud upon him, when, as the Senator from Nebraska explains, the victim may live in California and the fraud may be perpetrated in New York, is to fix altogether too short a period.

Mr. BYRNES. Mr. President——

Mr. NORRIS. I yield.

Mr. BYRNES. Whether the man lives in California or in Colorado, if he discovers the willful fraud, what difference is there in the matter of time? Why could he not bring suit within 12 months after he found that John Jones had defrauded him?

Mr. ADAMS. He could, Mr. President, but it is true that the ordinary statutes provide limitations of 3, 5, and 6 years, and very rarely does a man gather himself together and consult his attorneys and others within a year. It would be found that four fifths of the cases where recoveries might be had would be lost. We would not be eliminating lawsuits altogether; we would just be eliminating recoveries.

Mr. BARKLEY. Mr. President, will the Senator from Nebraska yield?

Mr. NORRIS. I yield.

Mr. BARKLEY. Of course, there are different sorts of statutes of limitation. In the matter of a personal injury, for instance, where, of course, a man knows whether he is injured or not, all the States require that he should sue within a certain length of time. In my State it is a year. He must bring a suit within 12 months after a personal injury. There are different limitations fixed in different statutes of limitation. For instance, in the case of an open account, the statute begins to run from the incurring of the debt. There are different periods of limitations upon promissory notes and upon contracts, written and unwritten.

In the bill it is proposed that we give anybody 5 years in which to discover whether he has been defrauded or not, so that the 5-year limitation fixes the ultimate period of limitation when he can bring suit. But if a man discovers within 6 months, or 1 month, after he has been defrauded, that he has been defrauded—and he knows it just as well then as he would know it 3 years from that date—it does seem that he ought not to be allowed to let the whole period of the limitation run and within a week or two of its expiration bring suit on a transaction when he knew 4 years before that he had a right to sue.

Mr. NORRIS. Mr. President, that is true in the case of every statute of limitations. I do not know an exception to it. A man may begin suit immediately, or he may wait and begin just before the statute expires.

I think we should not neglect to consider what the Senator from Colorado has said about this matter. There would be a burden of proof on one man to show something it would be difficult for him to show. Perhaps he would have to go into the enemy's camp to get his evidence. I think that in 9 cases out of 10, under this kind of a statute, when they got to trial the question would arise whether the man had notice or whether he did not, what constituted notice, and how much he ought to have known about it.

Probably after he first discovers that something is wrong he will have a weary time of it before he ferrets it out and

finds out what the facts were. He may have to make considerable investigation. Yet, before he can decide, on his own judgment or on the judgment of his attorney, whether he has a valid action against his adversary or not, he may have to make a lot of investigation, and when they get to trial the first claim that will be made on the part of the defendant may be that the statute of limitations of 1 year has run against the plaintiff. That will date from the very beginning of his investigation. That will date from the very first knowledge he had that there was anything wrong with the case.

I think this would react in favor of the man who committed the wrong, if a wrong were committed, and in my judgment he would not be entitled to consideration as against the man who has been wronged.

Mr. DUFFY. Mr. President, I desire at this time to send to the desk an amendment I intend to propose to the pending bill. I ask that it be printed and lie on the table, and I will call it up at the proper time.

The PRESIDING OFFICER. The amendment will be received, printed, and lie on the table.

Mr. BULKLEY. Mr. President, I send to the desk an amendment which I intend to propose to the pending bill. I ask that it be printed and lie on the table. I will discuss it later.

The PRESIDING OFFICER. Without objection, the amendment will be received, printed, and lie on the table.

Mr. COPELAND. Mr. President, I present an amendment, which I should like to have printed and lie on the table.

The PRESIDING OFFICER. Without objection, the amendment will be received, printed, and lie on the table.

Mr. KEAN. Mr. President, I send to the desk sundry amendments to be proposed to the pending bill, and ask that they be printed and lie on the table.

The PRESIDING OFFICER. The amendments will be received, printed, and lie on the table.

Mr. BARKLEY. Mr. President, I am not concerned very greatly about whether the limitation of time within which a suit may be brought after discovery is made 1 year or 2 years. I think there is no question of principle involved in the matter. It is just a question of whether, after a man discovers that he has been defrauded by a false statement as to some stock, or by the omission of a material fact, he shall be allowed 1 year or 2 years within which to bring suit after he makes the discovery.

I would not believe it wise to follow the suggestion of the Senator from Nebraska to the extent of providing for only one period of limitation, because if we did that, we would make the limitation apply not only to the discovery of the fraud, but to the committing of the fraud also, so that a man would be barred at the end of 5 years, or 4 years, or whatever time we fix, from bringing a suit for damages upon a false representation or a material ommission, no matter when he might have discovered the fraud.

If we want simply to say that no suit under any circumstances shall be brought after 3 years, we have a right to do that, or we have a right to fix the limit at 4 years, or 5 years, or at any other period. But I do believe that we must keep in mind the difference between the statute of limitations running against the actual commission of a fraud, and the discovery of the fraud.

In the bill as it is written we give a man 6 years in which to discover whether or not a fraud has been committed on him. After that 6-year period he cannot bring suit. He might discover the fraud 5 years 11 months and 29 days after it was committed, but he could still bring suit, if he brought it on the thirtieth day, or on the first day after he made the discovery.

If he discovers the fraud 1 month after it is committed, should there not be a reasonable limitation upon his power to hold over the opposite party for 5 or 6 years the possibility of a suit? Should we not require him to bring the suit within a reasonable time after he discovers that he has been defrauded, but not in any case to bring it after the lapse of 5 or 6 years, as the case may be, depending on what we do with this amendment?

I think we have to consider this proposed statute of limitations in a little different light from that in which we consider ordinary statutes of limitations. Most statutes begin to run from the time of the commission of the act, either the making of a note or the commission of some tort against the person of a plaintiff, the damaged party. We have to differentiate between the situation where it is not difficult to discover when a right of action accrues and another situation where it may take years to discover that a right of action has accrued.

It would be manifestly unfair, it seems to me, to limit any damaged party to 1 year or 2 years or 3 years in the bringing of a suit, because it may sometimes take 4 or 5 years to discover that a fraud has been committed in a statement of facts or in the omission of a statement with reference to a share of stock or a report which may be made based upon the condition of a company. So that we cannot adopt a rule, it seems to me, applicable to these transactions which we would adopt in establishing an ordinary statute fixing a time after which a man could not bring a suit.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. AUSTIN. I inquire of the Senator from Kentucky whether he does not recognize another exceptional circumstance in that the burden of proof is shifted around on the question of knowledge or willfulness in a misrepresentation. The committee have put the burden upon the defendant, so that in this case the plaintiff does not have to spend any time going out and seeking his evidence. All he has to prove is the fact of misrepresentation.

Mr. BARKLEY. Yes.

Mr. AUSTIN. And thereupon it becomes the duty, or burden, of the defendant, to clear himself of knowledge or willfulness.

Mr. BARKLEY. That is true. All the plaintiff would have to do would be to prove that there had been a misrepresentation, and that he had discovered it on such a date, so as to bring his suit within the time prescribed. Then the burden of proof would shift to the defendant.

Mr. NORRIS. Why should it not shift?

Mr. BARKLEY. I am not objecting to that at all. It is in the bill, and I am for it.

Mr. NORRIS. If there has been any fraud in the way of a misrepresentation, there is one party who knows about it, and that is the party who makes the misrepresentation.

Mr. BARKLEY. That is true, and I am for the provision. I think the burden of proof ought to shift to the man who is guilty of fraud. But we must recognize that that does present a different kind of procedure from the ordinary lawsuit, where the burden of proof is on the man who alleges fraud to prove that fraud has been committed. As I said, I am not concerned with whether the limit is fixed at 1 year or 2 years after the discovery, but I think there ought to be a limitation after the discovery has been made within the limit of 5 years.

The PRESIDING OFFICER. Without objection——

Mr. NORRIS. No, Mr. President; I am not making this objection for fun. I want a vote. I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. The yeas and nays have been requested. Is the request seconded?

The yeas and nays were not ordered.

Mr. NORRIS. Then, Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from Nebraska suggests the absence of a quorum. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Bulkley	Cutting	Goldsborough
Ashurst	Bulow	Davis	Gore
Austin	Byrd	Dickinson	Hale
Bachman	Byrnes	Dill	Harrison
Bankhead	Capper	Duffy	Hatch
Barbour	Caraway	Erickson	Hayden
Barkley	Clark	Fess	Kean
Black	Connally	Fletcher	Keyes
Bone	Copeland	Frazier	King
Borah	Costigan	George	La Follette
Brown	Couzens	Gibson	Lewis

Logan	Norris	Schall	Thompson
Lonergan	Nye	Sheppard	Townsend
Long	O'Mahoney	Shipstead	Tydings
McGill	Overton	Smith	Vandenberg
McKellar	Pope	Steiwer	Van Nuys
McNary	Reynolds	Stephens	Wagner
Metcalf	Robinson, Ark.	Thomas, Okla.	Walcott
Neely	Russell	Thomas, Utah	Wheeler

Mr. LEWIS. I announce the absence of the Senator from California [Mr. McADOO], occasioned by illness; the absence of the Senator from North Carolina [Mr. BAILEY], and the absence of the Senator from Florida [Mr. TRAMMELL], made necessary by official business.

The PRESIDING OFFICER. Seventy-six Senators having answered to their names, a quorum is present.

Mr. NORRIS. Mr. President, I ask for a division of the question. Here are two propositions, one to strike out the limitation to 2 years and insert in lieu thereof "1 year", the other to strike out "6 years" and to insert in lieu thereof "5 years."

The PRESIDING OFFICER. The Chair will state to the Senator from Nebraska that the first amendment has been agreed to.

Mr. NORRIS. When did that happen?

The PRESIDING OFFICER. Before the debate commenced on the other amendment.

Mr. NORRIS. That is the part of the amendment I have been debating, and it has been the subject of debate ever since the motion was introduced.

The PRESIDING OFFICER. Is there a request for reconsideration of the vote by which it was agreed to?

Mr. NORRIS. I did not know that it had been agreed to. I ask that the vote by which it was agreed to be reconsidered.

The PRESIDING OFFICER. Is there objection to the request submitted by the Senator from Nebraska?

Mr. NORRIS. The amendment proposing to strike out "2 years" and insert in lieu thereof "1 year" is the only one in which I am interested.

Mr. BARKLEY. Mr. President, the other amendment does not involve that question.

Mr. NORRIS. Mr. President, I shall not oppose the change in line 18, on page 23, from 6 years to 5 years.

Mr. BARKLEY. That has not been voted on.

Mr. NORRIS. That is what I understood, but the Chair said otherwise.

Mr. BARKLEY. The first amendment was voted on.

Mr. NORRIS. That is the one I have been discussing, and the one we have all been discussing; and if it is true that it has been agreed to, we have all been "talking through our hats" all this while. Was the vote reconsidered, Mr. President?

The PRESIDING OFFICER. Without objection, the vote by which the amendment was agreed to will be reconsidered.

Mr. NORRIS. Mr. President, since many Senators have just come in, I desire to say that I was trying to get a roll call, and I did not get a sufficient number to second my request. I think we are entitled to a roll call. If we can get it I will take my seat. If we cannot get it I shall have to keep on.

The amendment is on page 23, line 16. The language as it read now is:

> No action shall be maintained to enforce any liability created under this section, unless brought within 2 years after the discovery—

And so forth. The amendment offered by the Senator from Florida [Mr. FLETCHER] is to strike out "2 years" and insert "1 year." That is the vote on which we are dividing now.

Mr. President, I think this is a very important amendment, and I think we ought to have a roll call of the Senate on it. I again ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. FESS (when his name was called). I have a general pair with the senior Senator from Virginia [Mr. GLASS]. Not knowing how he would vote, I am compelled to withhold my vote. If permitted to vote, I should vote "yea."

Mr. FLETCHER (when his name was called). I have a general pair with the senior Senator from West Virginia [Mr. HATFIELD]. I transfer that pair to the senior Senator from North Carolina [Mr. BAILEY], who is necessarily detained, and vote "yea."

Mr. ROBINSON of Arkansas (when his name was called). I have a general pair with the senior Senator from Pennsylvania [Mr. REED]. Not knowing how he would vote, I transfer that pair to the junior Senator from Florida [Mr. TRAMMELL] and vote "yea."

Mr. WALCOTT (when his name was called). I have a general pair with the junior Senator from California [Mr. McADOO]. I am informed that he would vote as I intend to vote, and I am therefore at liberty to vote. I vote "yea."

The roll call was concluded.

Mr. LEWIS. I announce my general pair with the Senator from Rhode Island [Mr. HEBERT]. I transfer that pair to my colleague the junior Senator from Illinois [Mr. DIETERICH], who is necessarily absent. I vote "yea."

Mr. WAGNER (after having voted in the affirmative). I have a general pair with the senior Senator from Missouri [Mr. PATTERSON]. I transfer that pair to the senior Senator from Massachusetts [Mr. WALSH] and permit my vote to stand.

Mr. BULKLEY (after having voted in the affirmative). I have a general pair with the senior Senator from Wyoming [Mr. CAREY], who is unavoidably detained from the Senate. I transfer that pair to the junior Senator from Massachusetts [Mr. COOLIDGE] and allow my vote to stand.

Mr. STEPHENS (after having voted in the affirmative). I have a general pair with the senior Senator from Indiana [Mr. ROBINSON]. I transfer that pair to the junior Senator from Iowa [Mr. MURPHY] and allow my vote to stand.

Mr. FESS. I desire to announce the unavoidable absence of the Senator from Pennsylvania [Mr. REED], the Senator from Indiana [Mr. ROBINSON], and the Senator from West Virginia [Mr. HATFIELD].

I also wish to announce that the Senator from Rhode Island [Mr. HEBERT], the Senator from Delaware [Mr. HASTINGS], the Senator from Wyoming [Mr. CAREY], and the Senator from Maine [Mr. WHITE] are detained on official business.

Mr. LEWIS. I desire to announce the following general pairs:

The senior Senator from Nevada [Mr. PITTMAN] with the Senator from Maine [Mr. WHITE]; and

The junior Senator from Nevada [Mr. McCARRAN] with the Senator from Delaware [Mr. HASTINGS].

I announce also that the senior Senator from Massachusetts [Mr. WALSH], the junior Senator from Massachusetts [Mr. COOLIDGE], the senior Senator from Virginia [Mr. GLASS], the Senior Senator from Nevada [Mr. PITTMAN], the junior Senator from Nevada [Mr. McCARRAN], the junior Senator from Illinois [Mr. DIETERICH], and the junior Senator from Iowa [Mr. MURPHY] are necessarily detained from the Senate on official business.

The result was announced—yeas 45, nays 30, as follows:

YEAS—45

Ashurst	Copeland	Hayden	Sheppard
Austin	Couzens	Kean	Smith
Bankhead	Dickinson	Keyes	Steiwer
Barbour	Dill	King	Stephens
Barkley	Duffy	Lewis	Thomas, Okla.
Black	Erickson	Logan	Townsend
Bulkley	Fletcher	McKellar	Vandenberg
Bulow	George	Metcalf	Wagner
Byrd	Gibson	Neely	Walcott
Byrnes	Goldsborough	Reynolds	
Clark	Gore	Robinson, Ark.	
Connally	Harrison	Schall	

NAYS—30

Adams	Capper	Frazier	Long
Bachman	Caraway	Hale	McGill
Bone	Costigan	Hatch	McNary
Borah	Cutting	La Follette	Norris
Brown	Davis	Lonergan	Nye

O'Mahoney	Russell	Thompson	Van Nuys
Overton	Shipstead	Tydings	Wheeler
Pope	Thomas, Utah		

NOT VOTING—21

Bailey	Hastings	Murphy	Trammell
Carey	Hatfield	Norbeck	Walsh
Coolidge	Hebert	Patterson	White
Dieterich	Johnson	Pittman	
Fess	McAdoo	Reed	
Glass	McCarran	Robinson, Ind.	

So Mr. FLETCHER'S amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment offered by the Senator from Florida.

The LEGISLATIVE CLERK. On page 23, line 18, it is proposed to strike out "6 years" and in lieu thereof to insert "5 years."

The amendment was agreed to.

The LEGISLATIVE CLERK. On page 41, lines 10 and 11, it is proposed to strike out "2 years" and in lieu thereof to insert "1 year."

The amendment was agreed to.

The LEGISLATIVE CLERK. In line 12, it is proposed to strike out "6 years" and in lieu thereof to insert "5 years."

The amendment was agreed to.

Mr. ROBINSON of Arkansas. Mr. President, the Senator from Florida advises me that he is ready to suspend proceedings on the bill for this evening.

Mr. FLETCHER. Mr. President, a number of amendments have been proposed to the bill, and they will be printed and lie on the table. I think it is just as well to wait until the amendments shall have been printed, so that we need not proceed further this evening.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. GEORGE in the chair) laid before the Senate messages from the President of the United States submitting nominations and a convention, which were referred to the appropriate committees.

(For nominations this day received see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

Mr. LONG, from the Committee on the Judiciary, reported adversely the nomination of Rene A. Viosca, of Louisiana, to be United States attorney, eastern district of Louisiana, to succeed William H. Norman, appointed by court.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters.

The PRESIDING OFFICER. The reports will be placed on the calendar.

JOHN W. PASCHALL

Mr. McKELLAR. From the Committee on Post Offices and Post Roads, I report back favorably the nomination of John W. Paschall to be postmaster at Gould, Ark.; and I call the attention of the Senator from Arkansas [Mr. ROBINSON] to it.

Mr. ROBINSON of Arkansas. Mr. President, that office has been vacant for some months. I have delayed a consideration of the nomination in order to make certain inquiries. I ask unanimous consent for the present consideration of the nomination.

The PRESIDING OFFICER. Is there objection to the present consideration of the nomination? The Chair hears none.

The legislative clerk read the nomination of John W. Paschall to be postmaster at Gould, Ark.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. ROBINSON of Arkansas. I ask also that the President be notified.

The PRESIDING OFFICER. Without objection, the President will be notified of the confirmation.

WILLIAM A. ROBERTS—DANIEL D. MOORE

Mr. ROBINSON of Arkansas. I ask that the first two nominations on the calendar be passed over for the day.

Mr. HARRISON. Mr. President, with reference to the collector of internal revenue at New Orleans, may I ask whether there is any way for us to get an agreement to take up the nomination some day and dispose of it?

Mr. McNARY. Mr. President, what is the request of the Senator from Mississippi?

Mr. HARRISON. I refer to the nomination of the collector of internal revenue at New Orleans. Why can we not take it up now?

Mr. LONG. I have no particular objection.

Mr. HARRISON. Let us take it up now.

POSTMASTERS

Mr. McKELLAR. Mr. President, before that is done, I ask unanimous consent that the nominations of postmasters on the calendar be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations of postmasters on the calendar will be confirmed en bloc.

IN THE NAVY

Mr. ROBINSON of Arkansas. I make the same request with respect to the promotions in the Navy.

The PRESIDING OFFICER. Without objection, the nominations for promotions in the Navy will be confirmed en bloc.

DANIEL D. MOORE

Mr. LONG. Mr. President, do I understand that the Senator from Mississippi desires to take up the Moore nomination now?

Mr. HARRISON. I shall be very glad to do so and get it out of the way.

Mr. WHEELER. Mr. President, I ask that the nomination be passed over. If this case is taken up today, we shall be here all night. Let us take it up tomorrow.

Mr. McNARY. Mr. President, I certainly should object to taking up the Moore nomination this evening. Great interest has been manifested in the hearings regarding this nomination, and a great many Senators desire to be here when the question of its confirmation comes before the Senate. Many Senators have left the Chamber upon the understanding that there would be no action this afternoon on anything other than the amendment of the Senator from Florida [Mr. FLETCHER]. As a matter of fairness to them, and in the interest of the protection to which they are entitled, I shall object to the consideration of the nomination today.

Mr. HARRISON. Let me say to the Senator from Oregon that I was not insisting on the consideration of the nomination at this time. I said that it was perfectly agreeable, so far as we were concerned, to take it up now.

Mr. ROBINSON of Arkansas. I suggest that the nomination be passed over.

Mr. HARRISON. I will state to the Senator from Arkansas that I am wondering if we can agree on a time for the consideration of the nomination.

Mr. ROBINSON of Arkansas. I have no objection to any arrangement that may be made in that respect.

Mr. LONG. I suggest that we take it up with the calendar tomorrow, or whenever we have an executive session.

Mr. McNARY. I have no personal interest whatever in this nomination. I have some interest in the orderly procedure which is usually followed in the Senate in the consideration of legislation.

We have before us two bills, neither of which has been disposed of. I suggest that we get through with the unfinished business and the business that is to follow it—namely, the Glass bill—and, after we have cleaned the legislative slate, that we come to some agreement as to a time for taking up in executive session the Moore case.

That is the logical way in which to proceed. We are going to be here some little time, I anticipate, in connection with the legitimate discussion of the case.

I suggest to the Senator from Mississippi and the Senator from Arkansas that the matter be allowed to rest for a few days; and probably later in the week, after the legislative calendar shall have been taken care of, a date that is appropriate may be set for the consideration of the nomination.

Mr. HARRISON. It is agreeable to me to have it set for some future time.

Mr. ROBINSON of Arkansas. Very well. I had not anticipated that the nomination could be taken up this afternoon.

JABEZ W. DANGERFIELD

Mr. KING. Mr. President, I call the attention of my friend upon the other side to the nomination of Mr. Dangerfield to be postmaster at Provo, Utah. I should be glad to have it taken up now.

Mr. McNARY. Has it been reported to the calendar?

Mr. KING. It has been unanimously reported.

Mr. McNARY. Is it now on the calendar?

Mr. KING. No; it was reported today.

Mr. McNARY. What is the emergency?

Mr. KING. The commission of this man's predecessor expired several months ago. However, I shall not ask for its consideration if there is any objection.

The PRESIDING OFFICER. Is there objection to the present consideration of the nomination?

Mr. McNARY. Under those circumstances, I have no objection.

The PRESIDING OFFICER. The nomination will be read.

The legislative clerk read the nomination of Jabez W. Dangerfield to be postmaster at Provo, Utah.

The PRESIDING OFFICER. Without objection, the nomination is confirmed; and, without objection, the President will be notified.

RECESS

The Senate resumed legislative session.

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 17 minutes p.m.) the Senate took a recess until tomorrow, Tuesday, May 8, 1934, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 7 (legislative day of Apr. 26) 1934

PROMOTIONS IN THE NAVY

Comdr. William T. Smith to be a captain in the Navy, from the 1st day of March 1934.

Comdr. Baxter H. Bruce, an additional number in grade, to be a captain in the Navy, from the 1st day of April 1934.

Lt. Comdr. John L. Hall, Jr., to be a commander in the Navy, from the 1st day of April 1934.

Lt. William E. Tarbutton to be a lieutenant commander in the Navy, from the 30th day of June 1933.

Lt. John Q. Chapman to be a lieutenant commander in the Navy, from the 13th day of November 1933.

The following-named lieutenants to be lieutenant commanders in the Navy, from the 1st day of December 1933:

Harry F. Newton.

Charles M. Johnson.

Lt. Charles R. Jeffs to be a lieutenant commander in the Navy, from the 16th day of January 1934.

Lt. Raymond E. Farnsworth to be a lieutenant commander in the Navy, from the 1st day of March 1934.

Lt. Leslie E. Gehres to be a lieutenant commander in the Navy, from the 1st day of April 1934.

Lt. (Jr. Gr.) James B. Hogle to be a lieutenant in the Navy, from the 1st day of December 1933.

Lt. (Jr. Gr.) Frank R. Davis to be a lieutenant in the Navy, from the 1st day of January 1934.

The following-named lieutenants (junior grade) to be lieutenants in the Navy, from the 1st day of February 1934:

Max C. Stormes.

Richard F. Johnson, Jr.

Lt. (Jr. Gr.) Henry W. Goodall to be a lieutenant in the Navy, from the 20th day of February 1934.

The following-named lieutenants (junior grade) to be lieutenants in the Navy, from the 1st day of March 1934:

Glenn R. Hartwig — Thomas C. Ritchie

Harry B. Temple — John C. Waldron

Ensign William M. Walsh to be a lieutenant (junior grade) in the Navy, from the 7th day of December 1931.

The following-named ensigns to be lieutenants (junior grade) in the Navy, from the 5th day of June 1933:

Richard J. H. Conn.

Joseph A. Ruddy, Jr.

Passed Assistant Paymaster Robert H. Mattox to be a paymaster in the Navy, with the rank of lieutenant commander, from the 1st day of December 1933.

Assistant Paymaster Arnold R. Kline to be a passed assistant paymaster in the Navy, with the rank of lieutenant, from the 1st day of November 1933.

Assistant Paymaster Joseph L. Herlihy to be a passed assistant paymaster in the Navy, with the rank of lieutenant, from the 1st day of May 1934.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 7 (legislative day of Apr. 26), 1934

PROMOTIONS IN THE NAVY

Ivan E. Bass to be rear admiral.

George C. Logan to be captain.

Miles P. Duval to be lieutenant commander.

Edgar R. Winckler to be lieutenant commander.

Raymond G. Deewall to be lieutenant commander.

Charles F. Waters to be lieutenant commander.

Robert S. Carr to be lieutenant.

Joseph W. Fowler to be lieutenant.

James H. McIntosh to be lieutenant.

Elliott W. Shanklin to be lieutenant.

Wilfred E. Lankenau to be lieutenant.

Rudolph C. Bauer to be lieutenant (junior grade).

Macpherson B. Williams to be lieutenant (junior grade).

Roscoe L. Newman to be lieutenant (junior grade).

William M. Kerr to be medical director, with rank of captain.

Erwin J. Shields to be assistant dental surgeon, with rank of lieutenant (junior grade).

Lauro J. Turbini to be assistant dental surgeon, with rank of lieutenant (junior grade).

Richard M. Bear to be assistant dental surgeon, with rank of lieutenant (junior grade).

Max W. Kleinman to be assistant dental surgeon, with rank of lieutenant (junior grade).

Lloyd H. Thomas to be passed assistant paymaster, with the rank of lieutenant.

POSTMASTERS

ALABAMA

Amos N. Fain, Ariton.

ARKANSAS

John W. Paschall, Gould.

CALIFORNIA

Charles Edmond Hogancamp, Alta Loma.

James B. Ogden, Avalon.

Brice H. Gantt, Beaumont.

Poul O. Martin, Burbank.

Joseph V. Gaffey, Burlingame.

John C. Callahan, Chula Vista.

Alice D. Scanlon, Colfax.

Frank J. Roche, Concord.

Norris Mellott, Costa Mesa.

Alfred F. Seale, Cottonwood.

Mae A. Kibler, Del Mar.

William Francis Richmond, El Centro.

Terrell L. Rush, Elsinore.

Belle Morgan, Encanto.

Frank T. Ashby, Etna.

Ethel M. Peterson, Lake Arrowhead.
Nellie G. Donohoe, Oakland.
Clarence McCord, Olive View.
Edith E. Mason, Santa Fe Springs.
William J. Black, Terminal Island.

COLORADO

Perry N. Cameron, De Beque.
Sadie P. Aspaas, Ignacio.
Angeline B. Adkisson, Longmont.
Henry C. Monson, Steamboat Springs.

DELAWARE

John B. Derrickson, Ellendale.
James A. Jester, Felton.
Claborne A. Boothe, Frankford.

GEORGIA

Herman C. Fincher, Lagrange.
Robert E. Walker, Roberta.
Jessie Gunter, Social Circle.
Alfred L. Morgan, Sylvania.
William O. Wolfe, Uvalda.

INDIANA

Ira Clouser, Crawfordsville.

IOWA

James A. McDonald, Algona.
Fred W. Daries, Armstrong.
William R. Shott, Birmingham.
William A. Fiester, Brandon.
Henry C. Finnern, Denison.
John J. Fowler, Eldora.
E. Harold Gilreath, Grand River.
Albert B. Mahnke, Greene.
Charles W. Taylor, Janesville.
Rita A. Brady, Keswick.
Otha H. Darby, Madrid.
Ernest L. Wood, Maxwell.
Adolph M. Schanke, Mason City.
Gertrude C. Ward, Melrose.
Robert A. Mortland, Montezuma.
Laura M. Smith, Montour.
John W. Dwyer, Oelwein.
Joe Goodman, Osceola.
Anna Bliem, Plymouth.
Harry F. Chance, Redfield.
Thomas J. Emmett, Reinbeck.
John H. Fitzgerald, Waterloo.
Arthur C. Kohlmann, Waverly.

NEW HAMPSHIRE

Frank B. Farley, Dublin.
Polycarpe Tardif, Somersworth.

NORTH DAKOTA

John A. Corrigan, Stanley.

SOUTH CAROLINA

John L. Hinnant, Eutawville.
Stephen E. Leverette, Iva.
Gertrude Nance, Mullins.
Albert H. Askins, Timmonsville.

UTAH

Jabez W. Dangerfield, Provo.

WYOMING

Margaret L. Cooper, Medicine Bow.
Chester A. Lindsley, Yellowstone Park.

HOUSE OF REPRESENTATIVES

MONDAY, MAY 7, 1934

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Heavenly Father and Savior of men, we unveil the cross and behold infinite love struggling of expression; how red is Thy heart and how full of mercy are Thy hands. Thy authority needs to be enthroned in every walk of life. How strong and sovereign is the manhood that breathes through Thee. Illuminate our minds and cleanse our hearts from all guile that we may be one with Thee in thought and purpose. Be Thou the ground and the pillar of our strength; be Thou the cradle song for every child of Thine; be Thou heaven's purity that cleanses every stained life; be Thou the fadeless flower for every weary breast. O be Thou the springtime for every dear heart clouded with the winter of discontent, and all glory be unto Thee. Amen.

The Journal of the proceedings of Saturday, May 5, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed with amendments, in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 5884. An act to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House thereon, and appoints Mr. VAN NUYS, Mr. MCCARRAN, and Mr. HASTINGS to be the conferees on the part of the Senate.

THE FLORIDA CANAL

Mr. GREEN. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, will the gentleman state what he is going to talk about? We have a rather heavy program for today.

Mr. GREEN. I am going to talk about a canal across Florida.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

THE CANAL ACROSS FLORIDA

Mr. GREEN. Mr. Speaker and my fellow Members, it is my pleasure to report to you the progress which is being made upon the proposed canal across Florida. In 1927 you were good enough to pass a survey bill which I introduced, and again in 1930 you saw fit to approve the bill which I introduced and which provided for the physical survey. Surveys for a large number of routes across Florida have been made by the Board of Army Engineers. A few weeks ago they reported that the canal was feasible from an engineering standpoint and that it could be constructed. They estimated its cost to exceed $200,000,000.

During the past few months the Public Works engineers have made surveys for this waterway, which would connect the Atlantic Ocean with the Gulf across the peninsula of Florida, and these engineers report that it is feasible and could be constructed for about $115,000,000. These estimates are for a canal from 30 to 35 feet in depth and of sufficient width to take care of all ships now using the Gulf of Mexico.

Its construction is estimated to utilize the services of from twenty-five to thirty thousand employees over a period of about 5 years. It is believed that this canal would soon develop from forty to fifty million tons per year, and that with a small toll it would in 50 to 60 years retire the cost of construction plus upkeep and interest.

A special board of review is now being appointed by the President for the further consideration of the reports of the Army engineers and the Public Works engineers. We confidently hope that this special board will harmonize the differences in the two reports and make such findings as will fully warrant beginning immediately on the construction of this great project. This proposed canal is next in importance to the Panama Canal, and will, I am confident, within 5 years after its opening handle greater tonnage than is now being handled by the Panama Canal.